

4C CPRM/CPM LICENSE AGREEMENT

This CPRM/CPM License Agreement ("Agreement") is effective as of _____ (the "Effective Date") by and between 4C Entity LLC, a Delaware limited liability company ("4C" or "Licensor"), the Founders and the "Adopter" named below:

Name of Adopter

Description of Adopter's Business

Name of Contact Person

Contact person's Phone No., Address, Fax No., E-mail address

Location of Principal Offices

State or Country of Incorporation

Year of Incorporation

WITNESSETH:

WHEREAS, a group of companies identified below as the Founders has developed certain methods for encryption (including local encryption), decryption, and renewability for purposes of protecting certain digital content from unauthorized interception and copying, (collectively the "4C Technology"), which methods are described in the Specifications entitled Content Protection for Recordable Media Specification, Content Protection for Prerecorded Media Specification, CSS Compatible DVD Drive Authentication for CPM, CSS-based DVD Drive Authentication for CPRM and C2 Block Cipher Specification;

WHEREAS, the Founders have licensed aspects of the 4C Technology to Licensor and authorized Licensor to further license the 4C Technology and administer such licenses and whereas the Founders shall license certain patent claims directly to Adopter through this Agreement;

WHEREAS, Adopter has agreed to comply with all obligations set out herein;

NOW THEREFORE, in consideration of the foregoing premises and the covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

Capitalized terms shall have the meanings set forth in this Section 1 or elsewhere in this Agreement.

- 1.1 “Adopter” means the entity named at the beginning of this Agreement that has entered this Agreement in order to use the 4C Technology to develop, evaluate and test Evaluation/Development Licensed Components and/or Evaluation/Development Licensed Products under Section 2.2 and/or to use the 4C Technology to manufacture, produce and sell Production/Sale Licensed Components and/or Production/Sale Licensed Products under Section 2.3 and to obtain certain other rights, and shall include its Affiliates, provided that Adopter Affiliates which wish to distribute Digital Audio Content or Digital Video Content in a form protected by the 4C Technology may only do so pursuant to a Content Participant Agreement.
- 1.2 “Adopter Agreement” means this Agreement and any other 4C CPPM/CPRM License Agreement (including its Compliance Rules) and associated Fee Exhibits that include substantially similar licensing and covenant provisions and is called an Adopter Agreement by 4C.
- 1.3 “Affiliate” means with respect to any person or entity, any other person or entity directly or indirectly controlling or controlled by or under direct or indirect common control with such person or entity. “Control” means the possession of beneficial ownership of more than 50% of the stock or other similar interest entitled to vote for election of the Board of Directors or similar managing authority.
- 1.4 “Authorized Reseller” means an entity that is authorized to receive and/or redistribute Production/Sale Licensed Components in accordance with the 4C CPPM/CPRM Associate License Agreement for Resellers and this Agreement.
- 1.5 “CPPM/C2 Specifications” means the CPPM/C2 Specifications entitled Content Protection for Prerecorded Media Specification and C2 Block Cipher Specification.
- 1.6 “CPPM Media Key Block” or “CPPM MKB” means the encrypted block of keys which is provided for use with CPPM and defined by the technical specifications contained in “CPPM Specification: Introduction and Common Cryptographic Elements” published by 4C Entity, LLC.

- 1.7 “CPPM Device Key” is a cryptographic value used to decrypt portions of a CPPM Media Key Block in order to calculate a Media Key, as defined by the technical specifications contained in “CPPM Specification Introduction and Common Cryptographic Elements” published by 4C Entity, LLC.
- 1.8 “CPRM Device Key” is a cryptographic value used to decrypt portions of a CPRM Media Key Block in order to calculate a Media Key, as defined by the technical specifications contained in “CPRM Specification: Introduction and Common Cryptographic Elements” published by 4C Entity, LLC.
- 1.9 “CPPM Expiration Information” means information distributed to Content Participants by or under the direction of Licensor for purposes of distributing such information with prerecorded Digital Audio Content in order to (i) expire one or more CPPM Device Keys or (ii) restore Device Keys of devices whose CPPM Device Keys are expired.
- 1.10 “CPPM Technology” means the methods for encryption, decryption and renewability developed by the Founders for use with prerecorded media (“CPPM”), including the C2 Block Cipher.
- 1.11 “CPRM Technology” means the methods for local encryption, decryption and renewability developed by the Founders for use with recordable media (“CPRM”), including the C2 Block Cipher.
- 1.12 “Compliance Rules” means the technical requirements set out in Exhibit C hereto and the Robustness Rules set out in Exhibit C hereto, as such exhibits may be amended from time to time in accordance with the terms of this Agreement and the Content Participant Agreement.
- 1.13 “Compliance Rules for Audio” means the technical requirements set out in Exhibit C hereto and the Robustness Rules set out in Exhibit C hereto, as such exhibits may be amended by 4C from time to time in accordance with the terms of this Agreement and the Content Participant Agreement.
- 1.14 “Compliant Product” refers to a product which is in compliance with all applicable Compliance Rules.
- 1.15 “Compliant Product for Audio” refers to a product which is in compliance with all applicable Compliance Rules for Audio.
- 1.16 “Confidential Information” means x) any and all information relating to the 4C Technology or Licensor’s or any Founder’s business practices relating to the 4C Technology, made available to Adopter directly by 4C or its designees or representatives, or by any Fellow Adopter (or Content

Participant) prior hereto or during the term of this Agreement, including, without limitation, specifications, software, hardware, firmware, documentation, designs, flow charts, technical data, outlines, blueprints, notes, drawings, prototypes, templates, systems, manuals, know-how, processes and methods of operation, trade secrets, business plans, strategies, concepts, research, data bases, client or customer lists, financial data, other data or information that relates to Licensor's or a Founder's past, present or future research, development or business activities, and any other sensitive material belonging to Licensor or any Founder, which y) is marked "confidential" when disclosed in written form or indicated as "confidential" when disclosed orally, and confirmed in writing within thirty days to be confidential, including, without limitation, Secret Constants, and Media Key Blocks provided, however, that Secret Constants and Media Key Blocks shall be treated as confidential regardless of whether or not they are marked "Confidential."

- 1.17 "Content Participant" means an entity that has executed a Content Participant Agreement in order to use the 4C Technology to protect its copyrighted Digital Audio Content, Digital Video Content or Related Content and to obtain certain other rights and shall include its Affiliates, provided that Content Participant Affiliates which wish to use CPPM Technology to develop and manufacture Production/Sale Licensed Components for Audio or Production/Sale Licensed Products for Audio may only do so by entering into an Adopter Agreement.
- 1.18 "Content Participant Agreement" means any Content Participant Agreement entered into by Licensor, Founders and a provider of Digital Audio Content or Digital Video Content and is called a Content Participant Agreement by 4C.
- 1.19 "Content Participant User Group" means a user group consisting of Content Participants which may meet with Founders and Licensor regarding the 4C Technology and elect a member to participate in the 4C Advisory Board ("FAB"), as described in Section 3.2.
- 1.20 "Device Keys" are a cryptographic value used to decrypt portions of a Media Key Block in order to calculate a Media Key, as defined by the technical specifications contained in "CPRM Specification: Introduction and Common Cryptographic Elements" published by 4C Entity, LLC and "CPPM Specification: Introduction and Common Cryptographic Elements" published by 4C Entity, LLC..
- 1.21 "Device Key Set" means Device Keys which are provided to Adopter by 4C or its designee for use in a specific device or set of devices.

- 1.22 “Digital Audio Content” means sound recordings, as defined in 17 U.S.C. § 101.
- 1.23 “Digital Video Content” means audiovisual works, as defined in 17 U.S.C. § 101.
- 1.24 “DVD Audio Disc Replicator” means an Adopter that replicates discs in the format specified by the DVD Forum as the DVD Audio Format, where such discs contain Digital Audio Content and where such Digital Audio Content is protected using CPPM Technology in compliance with the CPPM Specifications and applicable Compliance Rules.
- 1.25 “Encoding Rules” refers to the parameters governing the right and ability of a Content Participant to use the 4C Technology to regulate copying of Digital Audio Content or Digital Video Content by third parties (including without limitation by consumers).
- 1.26 “Evaluation/Development Licensed Components” means a component which is made under license from 4C for testing, evaluation or development purposes pursuant to Section 2.2, and which is designed to be and which is assembled into an Evaluation/Development Licensed Product or which is transferred or sold to a Fellow Adopter, consistent with Section 2.3.
- 1.27 “Evaluation/Development Device Keys” means such keys as are supplied pursuant to Section 2.2 by Licensor to allow a Licensee to evaluate, test and develop Evaluation/Development Licensed Components or Evaluation/Development Licensed Products according to the Specifications.
- 1.28 “Evaluation/Development Licensed Products” means a product incorporating MKBs, Evaluation/Development Device Keys and/or Secret Constants made under License from 4C for testing, evaluation or development purposes pursuant to Section 2.2 or which is transferred or sold to a Fellow Adopter, pursuant to Section 2.3.
- 1.29 “Effective Date” means the date on which the Agreement is executed by both parties, provided that if the Adopter later elects to enter into a license not entered into upon the date on which the Agreement is executed by both parties, “Effective Date” with respect to that later license shall be the date on which such further election is made as to any provisions that are specific to the license that is later entered into.
- 1.30 “Expiration Information” means information distributed to Content Participants by or under the direction of Licensor for purposes of distributing such information with pre-recorded Digital Audio Content in

order to (i) expire one or more CPPM Device Keys or CPRM Device Keys
(ii) upgrade devices whose CPPM Device Keys or CPRM Device Keys
have been expired.

- 1.31 “Fellow Adopter” means any Founders or any other entity which has executed an Adopter Agreement with Licensor and Founders and shall include its Affiliates.
- 1.32 “Founders” means International Business Machines Corporation, Intel Corporation, Matsushita Electric Industrial Co., Ltd., and Toshiba Corporation.
- 1.33 “4C Reseller Agreement” means any 4C CPPM/CPRM Associate License Agreement for Resellers entered into by Licensor, Founders and Authorized Reseller.
- 1.34 “4C Technology License Agreement” means a binding written agreement between a 4C Technology Licensee and Licensor and Founders to license some or all of the 4C Technology and includes, without limitation an agreement denominated as an Adopter Agreement, Content Participant Agreement, or a C2 Encryption License Agreement for EMD.
- 1.35 “Highly Confidential Information” means (x) any and all information relating to the 4C Technology or Licensor’s or any Founder’s business practices relating to the 4C Technology, made available to Adopter directly by 4C or its designees or representatives, or by any Fellow Adopter (or Content Participant) prior hereto or during the term of this Agreement, including, without limitation, specifications, software, hardware, firmware, documentation, designs, flow charts, technical data, outlines, blueprints, notes, drawings, prototypes, templates, systems, manuals, know-how, processes and methods of operation, trade secrets, business plans, strategies, concepts, research, data bases, client or customer lists, financial data, other data or information that relates to Licensor’s or a Founder’s past, present or future research, development or business activities, and any other sensitive material belonging to Licensor or any Founder, which (y) is marked “Highly Confidential” when disclosed in written form or indicated as “Highly Confidential” when disclosed orally and confirmed in writing within thirty days to be Highly Confidential, including without limitation, Device Keys, provided, however, that Device Keys shall be treated as “Highly Confidential” regardless of whether or not they are marked “Highly Confidential.”
- 1.36 “Production/Sale Licensed Component” means a component, such as an integrated circuit, circuit board, or software module which is manufactured under license from 4C pursuant to Section 2.3, which is designed solely to be and which is assembled into a Production/Sale

Licensed Product, or is sold or otherwise distributed to an Authorized Reseller solely for resale and/or distribution in accordance with the terms of the 4C CPRM/CPPM Associate License Agreement for Resellers and this Agreement, and which embodies a portion of the Specification, but which does not by itself completely satisfy the Compliance Rules.

- 1.37 "Production/Sale Licensed Component for Audio" means a Production/Sale Licensed Component which embodies a portion of the CPPM/C2 Specification, but which does not by itself completely satisfy the Compliance Rules for Audio.
- 1.38 "Production/Sale Licensed Products" means a product, including without limitation products such as DVD audio players and recorders whether they are consumer electronic products or software, which is manufactured under license from 4C pursuant to Section 2.3 with respect to which all of the statements in 1.38.1-1.38.3 are true.
- 1.38.1 the product embodies and complies with the designs set out in the Specifications,
- 1.38.2 the product is a Compliant Product, and
- 1.38.3 the product is designed for the playback and/or recording of Digital Audio Content or Digital Video Content.
- "Production/Sale Licensed Products" include Production/Sale Licensed Products for Audio.
- 1.39 "Production/Sale Licensed Products for Audio" means a Production/Sale Licensed Product, including without limitation a disc encoded with CPPM, which is manufactured under license from 4C with respect to which all of the statements in 1.39.1-1.39.3 are true.
- 1.39.1 the product embodies and complies with the designs set out in one or more of the CPPM/C2 Specifications;
- 1.39.2 the product is a Compliant Product for Audio; and
- 1.39.3 the product is designed for the playback and/or recording of Digital Audio Content.
- 1.40 "Media Key Block" or "MKB" means the encrypted block of keys which is defined by the technical specifications contained in "CPRM Specification: Introduction and Common Cryptographic Elements" published by 4C Entity, LLC and "CPPM Specification: Introduction and Common Cryptographic Elements" published by 4C Entity, LLC.

- 1.41 “Necessary Claims” means those claims of patents or patent applications, under which, any Founder, Adopter or any Fellow Adopter, or any Content Participant has the right, at any time during the term of this Agreement to grant licenses within the bounds of the scope of use set forth in Section 2.4 of this Agreement that are necessarily infringed only by those portions of Evaluation/Development Licensed Products, Evaluation/Development Licensed Components, Production/Sale Licensed Products and Production/Sale Licensed Components which implement the 4C Technology solely to the extent disclosed with particularity in the Specifications. Notwithstanding anything else in this Agreement, “Necessary Claims” shall not include any claims relating to aspects of any technology (even if disclosed with particularity), standard or product that is an Optional part of the Specifications or is not itself part of the 4C Technology, including: (1) claims relating to other copy protection, compression, encoding or decoding ability (even though such technology, standard or product may otherwise be mentioned or required by the Specifications) or to tamper resistance technology; (2) claims which could be practiced in an implementation of an Evaluation/Development Licensed Product, Evaluation/Development Licensed Component, Production/Sale Licensed Product or Production/Sale Licensed Component in compliance with the Specifications where an alternative implementation exists that would not infringe such claim (even if in the same patent as Necessary Claims); (3) claims that read solely on any implementations of any portion of the Specifications that are not within the bounds of the scope of use set forth in Section 2.4 or the relevant 4C Technology License Agreement; or (4) claims which, if licensed, would require a payment of royalties by the licensor to unaffiliated third parties.
- 1.42 “Optional” means, with reference to the Specifications, any part of such Specifications specifically identified as “Optional.”
- 1.43 “Party” means a party to this Agreement.
- 1.44 “Related Content” means information or material intended for enjoyment by end-users, other than Digital Audio Content, embodied on a digital audio disc or other prerecorded digital media and may include by way of example and not of limitation, so called “music videos,” lyrics, graphics, liner notes, interviews with or statements by recording artists.
- 1.45 “Robustness Rules” means the requirements set out in Exhibit C hereto, as such exhibit may be amended by 4C pursuant to a Founder’s Authorization from time to time.
- 1.46 “Secret Constant” means the value used as part of internal calculations of the C2 Block Cipher, as defined by the technical specifications contained in the “C2 Block Cipher Specification” published by 4C Entity, LLC.

- 1.47 "Specifications" means collectively the specifications entitled "Content Protection for Recordable Media Specification," "Content Protection for Prerecorded Media Specifications," "C2 Block Cipher Specification," "CSS Compatible DVD Drive Authentication for CPPM," and the "CSS-Based DVD Drive Authentication for CPRM" as may be amended from time to time.

2. LICENSES GRANTED

- 2.1 Generally. Subject to the provisions below, Adopter may enter into the Evaluation/Development License set forth in Section 2.2, the Production/Sale License set forth in Section 2.3, or both. Adopter shall elect either or both of the licenses by their selection under Section 10.11.1 or Section 10.11.2 upon execution of this Agreement, and by payment of the appropriate fees per Exhibits A and B. Adopter electing one license upon execution may enter a second license by submitting a revised election under Section 10.11.1 or Section 10.11.2, and by payment of the appropriate fees per Exhibits A and B. Adopter's license rights under this Agreement are expressly limited to those set forth in Section 2.2 and/or Section 2.3 as elected. As used in this Agreement, "Adopter" refers to an Adopter licensed under Section 2.2 or 2.3. To the extent that a provision of the Agreement is applicable to an Adopter licensed only under Section 2.2 or Section 2.3, such applicability is specifically indicated in the relevant provision.
- 2.2 Evaluation/Development License. Upon execution of this Agreement, including an election under Section 10.11.1 and subject to Adopter's compliance with all of the terms and conditions of this Agreement, (excluding Sections 5.3, 8.5-8.10 and 9), including, but not limited to, payment of all fees required hereunder and compliance with the scope of use set forth in Section 2.4, each Founder (or its Affiliate which has the right to sublicense the Necessary Claims) grants to Adopter and Adopter accepts from each Founder (or such Affiliate) (in accordance with the terms and provisions of Section 6) a nonexclusive, nontransferable, nonsublicensable, revocable, worldwide license under the Necessary Claims of such Founders and Licensor grants to Adopter and Adopter accepts from Licensor a nonexclusive, nontransferable, non-sublicensable, revocable, worldwide license under those trade secrets and copyrights embodied in the Specifications to use MKBs, Evaluation/Development Device Keys and Secret Constants to make (including designing or developing), have made (including have designed or have developed by third parties for the sole account of the Adopter, subject to Section 5.2.2), use, reproduce or modify Evaluation/Development Licensed Components and Evaluation/Development Licensed Products solely for the purpose of evaluation, testing or development by Adopter licensed under Section 2.2; provided that such license granted in Section 2.2 shall not extend to

Adopter if Adopter is in violation of Section 2.7. If Adopter wishes to make, have made (by third parties on a subcontract basis for the sole account of the Adopter, consistent with Sections 5.2.2 and 5.3.2), use, offer to sell, sell, import, reproduce, modify, distribute, display, perform or otherwise transfer Production/Sale Licensed Products or Production/Sale Licensed Components incorporating 4C Technology, or to transfer prototype or sample Production/Sale Licensed Products and/or Production/Sale Licensed Components incorporating 4C Technology to prospective customers or retained test companies, it shall do so only as an Adopter licensed under Section 2.3 and then only in compliance with the Production/Sale License requirements specified in Section 2.3.

2.3 Production/Sale License. Upon execution of this Agreement, including an election under Section 10.11.2 and subject to Adopter's compliance with all of the terms and conditions of this Agreement including, but not limited to, payment of all fees required hereunder and the scope of use set forth in Section 2.4, each Founder (or its Affiliate which has the right to sublicense the Necessary Claims) grants to Adopter and Adopter accepts from each Founder (or such Affiliate) (in accordance with the terms and provisions of Section 6) a nonexclusive, nontransferable, nonsublicensable, revocable worldwide license under the Necessary Claims of such Founders and Licensor grants to Adopter and Adopter accepts from Licensor a nonexclusive, nontransferable, nonsublicensable, revocable, worldwide license under those trade secrets and copyrights embodied in the Specifications:

- (a) to use the 4C Technology to make (including designing and developing), have made (including have designed and have developed by third parties for the sole account of the Adopter, subject to Sections 5.2.2 and 5.3.2), use, offer to sell, sell, import, reproduce, modify, distribute, display, perform or otherwise transfer Production/Sale Licensed Products and/or Production/Sale Licensed Components; provided that Production/Sale Licensed Components shall only be sold or transferred to Fellow Adopters for incorporation into Production/Sale Licensed Products or to Authorized Resellers to be identified by Licensor pursuant to Section 5.8 solely for resale and/or redistribution in accordance with the terms and conditions of the 4C CPPM/CPRM Associate License Agreement for Resellers and this Agreement. The right of an Adopter to have made Production/Sale Licensed Components and Production/Sale Licensed Products shall include the right to have Adopters licensed under Section 2.2 develop and design Evaluation/Development Licensed Components and Evaluation/Development Licensed Products, for the sole account

of the Adopter consistent with the licenses granted under this Section 2.3(a).

- (b) to transfer prototype or sample Production/Sale Licensed Products and/or Production/Sale Licensed Components incorporating 4C Technology to prospective customers or retained test companies, in each case solely for evaluation in contemplation of purchase of such Production/Sale Licensed Product and/or Production/Sale Licensed Components or performance of specified testing of such Production/Sale Licensed Product and/or Production/Sale Licensed Components, as applicable, and to provide related technical information necessary for the evaluation or testing purposes, as applicable, provided, however, that any disclosure of Confidential Information or Highly Confidential Information shall be made only pursuant to a written agreement providing at least equivalent protections as are provided in this Agreement;

provided that such license granted in Section 2.3, shall not extend to Adopter if Adopter is in violation of Section 2.7.

- 2.4 Scope of Use. The licenses under Sections 2.2 and 2.3 shall extend only for the use of 4C Technology for the protection of Digital Audio Content or Digital Video Content in compliance with the rules set forth in the Compliance Rules applicable to those portions of Evaluation/Development Licensed Products, Evaluation/Development Licensed Components, Production/Sale Licensed Products and/or Production/Sale Licensed Components which implement the 4C Technology solely to the extent disclosed with particularity in the Specifications; and exclude the use of 4C Technology in any portion of any product and any combinations thereof, the sole purpose or function of which is not required in order to be a Compliant Product. With respect to Production/Sale Licensed Components, the licenses granted under Section 2.3 shall extend only to Production/Sale Licensed Components that are sold or transferred to a Fellow Adopter for incorporation into Production/Sale Licensed Products or that are sold or transferred to an Authorized Reseller to be identified by Licensor pursuant to Section 5.8 solely for resale and/or redistribution in accordance with the terms and conditions of the 4C CPPM/CPRM Associate License Agreement for Resellers and this Agreement.
- 2.5 Notwithstanding anything else in this Agreement, the licenses granted under this Section 2 exclude (1) applications, application programming interfaces and user interfaces, including the technology used to generate, display or interact with a user, (2) data embedding and content formats (other than as described with particularity in the Specifications), (3) tamper resistance technology; (4) aspects of any technology, codec, standard or product not disclosed with particularity in the Specifications or

that are Optional under the Specifications; even though such technology, codec, standard, or product may be mentioned in, or required by the Specifications or Compliance Rules; and (5) claims relating to watermarking technology, semiconductors and semiconductor manufacturing technology, compiler technology, programming languages and object-oriented technology, operating system, middleware and database technology, networking, intranet, extranet, and Internet technology.

2.6 Proper Use. Adopter shall not use Confidential or Highly Confidential Information provided under this Agreement, nor produce or sell devices or software under color of this Agreement, where such devices or software are designed or may be used to circumvent the requirements or effectiveness of the Specifications.

2.7 Reciprocal Non Assertion Covenant. Adopter, on behalf of itself and its Affiliates, promises not to assert or maintain against Founders, Licensor, Fellow Adopters or Content Participants and Affiliates thereof or any vendor, distributor, purchaser or other person in the chain of distribution, and accepts Fellow Adopters' and Content Participants' promise not to assert or maintain any claim of infringement under Adopters', Content Participants' and Affiliates' respective Necessary Claims, as well as under any trade secrets or copyrights in the Specifications for the evaluation, testing, development, design, manufacture (including having third parties manufacture on a subcontract basis for the sole account of Founder, Licensor, Fellow Adopter or Content Participant or Affiliate thereof), use, reproduction, modification, distribution, display, performance, sale, offer to sell and import or other transfer of Evaluation/Development Licensed Products, Evaluation/Development Licensed Components, Production/Sale Licensed Products and Production/Sale Licensed Components provided that such promise only applies to those portions of such Evaluation/Development Licensed Products, Evaluation/Development Licensed Components, Production/Sale Licensed Products or Production/Sale Licensed Components which are required for compliance with the Specifications and which cannot be implemented without infringing (but for this covenant) the Necessary Claims and/or the trade secrets or copyrights in the Specifications, and further provided that such promise does not extend to any person or entity which is asserting its Necessary Claims against the promisor, Founders, Licensor, Fellow Adopter, Content Participant and Affiliates thereof where the promisor is not in breach of its obligations under its Adopter Agreement. This section applies whether another entity has become a Fellow Adopter or Content Participant before or after Adopter signs this Agreement.

2.8 Controlled Entities. Adopter licensed under Section 2.2 represents and warrants that it has or will have the authority to bind its Affiliates that

evaluate, test and develop Evaluation/Development Licensed Components and/or Evaluation/Development Licensed Products pursuant to the terms of this Agreement. Adopter licensed under Section 2.3. represents and warrants that it has or will have the authority to bind its Affiliates that develop, design, manufacture, use, reproduce, modify, distribute, display, perform, sell, offer to sell, import, or otherwise transfer Production/Sale Licensed Products and/or Production/Sale Licensed Components pursuant to this Agreement to the terms of this Agreement.

3. ADDITIONAL RIGHTS GRANTED TO ADOPTER.

3.1 Copy Protection Implementer's Group. An Adopter licensed under Section 2.3 shall have the right to participate in an implementer's group consisting of all Adopters that choose to become members of such group (the "4C Copy Protection Implementer's Group"). Upon execution of this Agreement, including an appropriate election under Section 2.3, such Adopter shall notify Licensor in writing whether or not Adopter will be a member of the 4C Copy Protection Implementer's Group. Adopter may at any time, by written notice to Licensor, change its status as a member or non-member of the 4C Copy Protection Implementer's Group. Upon request of the Founders or the 4C Copy Protection Implementer's Group, Licensor shall undertake to have the Founders meet with, and take into account the views expressed by the 4C Copy Protection Implementer's Group with respect to (a) the Specifications, as amended, (b) the Compliance Rules, as amended and (c) such other matters relating to 4C Technology as Licensor and members of the 4C Copy Protection Implementer's Group agree to discuss.

3.2 Changes Sought by Content Participants or Adopters. An elected representative of the Content Participant User Group and two elected representatives of the Copy Protection Implementers Group representing the Information Technology industry and the Consumer Electronics industry, respectively, shall be appointed by 4C to serve on the 4C Advisory Board ("FAB"), which board shall consist of three members. Licensor shall meet with the FAB at least once per quarter. After consulting with other members of the FAB, each member of the FAB shall be entitled to request changes to the Adopter Agreement (including its Compliance Rules) or Specifications by presenting a written proposal to Licensor setting forth the specific amendment sought in the form attached hereto as Exhibit E. The Licensor shall consider such requests in good faith.

3.2.1 Changes to Improve Security or Correct Errors or Omissions. The Licensor shall not unreasonably reject a change proposed by a member or members of the FAB that such member or members can, by the preponderance of evidence demonstrate

(1) would improve the commercial viability, integrity, security or performance of the 4C Technology, correct errors or omissions to the Specifications or Compliance Rules, or clarify the Specifications or Compliance Rules, but not materially amend, alter or expand any given Specification after it has been released in version 1.0; (2) would not impose additional substantial obligations on Founders, Licensor or Adopters or on the operation of Production/Sale Licensed Products; and (3) does not implicate a patent right that would become a Necessary Claim by such a change.

3.2.2 Licensor shall additionally cooperate with a member or members of the FAB to seek alternatives to proposed changes that improve the commercial viability, integrity, security or performance of the 4C Technology but would materially amend, alter or expand a given Specification after it has been released in version 1.0, would impose additional substantial obligations on Founder, Licensor or Adopters or on the operation of Production/Sale Licensed Products, or would implicate patent rights that would become Necessary Claims, but shall have the right ultimately to reject any and all such proposed changes in its good faith judgment.

3.3 Changes. The Specifications and the Compliance Rules may be amended from time to time by 4C only in accordance with this Section 3.3. Adopter shall be required to comply with all amendments to the Compliance Rules or to the Specifications that do not require material modifications to product design or manufacturing processes within ninety (90) days after notification of the changes has been sent as specified herein or such longer period specified by 4C. Adopter shall be required to comply with all other amendments to the Compliance Rules or to the Specifications within eighteen (18) months after notification of the changes has been sent as specified herein. Changes to the Annual Administration Fees shall be permitted only as set out in Sections 4.1 and 4.2.

3.3.1 4C may make such changes to the Specifications as it deems necessary or appropriate until version 1.0 of the given Specification is released. After version 1.0 of the Specification has been released, 4C shall make no material changes to the Specification (including any changes that would expand the Specification to require the inclusion of new technical features not included in version 1.0 of the Specification or make Production/Sale Licensed Products manufactured prior to such changes incompatible with the new version of the Specification). Without limiting the foregoing, 4C reserves the right to map or port the Specifications to different technologies,

correct any errors or omissions in the Specifications or to make changes that would clarify, but not materially amend, alter or expand the Specifications, from time to time.

- 3.3.2 Except as 4C may conclude is necessary to provide for content protection, 4C shall not make any revisions to the Compliance Rules that would materially increase the cost or complexity of implementations of Production/Sale Licensed Products. Without limiting the foregoing, 4C shall provide Adopters with at least thirty (30) days' notice of any material changes to the Compliance Rules.

4. FEES

- 4.1 Evaluation/Development Administration Fees. Within thirty (30) days of the Effective Date, Adopter licensed under Section 2.2 shall pay 4C Evaluation/Development Administration Fees as set forth in the Fee Schedule attached as Exhibit A. Adopter shall not be entitled to any refund thereof for any reason. Upon each anniversary of the Effective Date (the "Annual Payment Date"), Adopter shall pay 4C the Annual Administration Fee for the following year which fee shall be used to offset the costs associated with the Licensor's administration of the MKBs, Evaluation/Development Device Keys and Secret Constants. 4C may, upon at least thirty (30) days notice to Adopter, modify the Annual Administration Fee payable for the period beginning on the next Annual Payment Date, provided that any increase in such fees shall not exceed an amount commensurate with any increase in 4C's costs. Without limiting the foregoing, where costs per Fellow Adopter decrease, 4C shall use commercially reasonable efforts to reduce the Annual Administration Fee. Adopters licensed under Section 2.2 shall pay order fulfillment fees as set forth in the Fee Schedule attached as Exhibit A.
- 4.2 Production/Sale Administration Fees. Within thirty (30) days of the Effective Date, Adopter licensed under Section 2.3 shall pay 4C Production/Sale Administration Fees as set forth in the Fee Schedule attached as Exhibit B. Adopter shall not be entitled to any refund thereof for any reason. Upon each anniversary of the Effective Date (the "Annual Payment Date"), Adopter shall pay 4C the Annual Administration Fee for the following year which fee shall be used to offset the costs associated with the Licensor's administration of the 4C Technology. 4C may, upon at least thirty (30) days notice to Adopter, modify the Annual Administration Fee payable for the period beginning on the next Annual Payment Date, provided that any increase in such fees shall not exceed an amount commensurate with any increase in 4C's costs. Without limiting the foregoing, where costs per Fellow Adopter decrease, 4C shall use

commercially reasonable good faith efforts to reduce the Annual Administration Fee.

- 4.3 Unit Fees. Adopters licensed under Section 2.3 shall pay per unit fees for each such order as set forth in the Fee Schedule attached as Exhibit B. 4C will supply a written invoice for such charges upon receiving Adopter's order in the form attached to the appropriate Fee Schedule and Adopter agrees to pay such invoice in advance of receiving any order. Adopter shall not be entitled to any refund thereof for any reason. 4C may, upon at least thirty (30) days notice to Adopter, modify the unit fee, provided that any increase in such fees shall not exceed an amount commensurate with any increase in 4C's costs. 4C shall have the right to audit Adopter's records for the sole purpose of determining the sufficiency of payments hereunder. Any such audit shall be conducted with commercially reasonable notice using commercially reasonable means.
- 4.4 Adjustment for Inflation. On December 31, 2003 and every third anniversary thereof, all of the fees set forth in this Section 4 shall be adjusted for inflation based on the change in the Producer Price Index from January three years prior thereto to December of the then current year. Licensors will make the adjustment effective on April 15 of the following year.

5. CONFIDENTIALITY/EXPORT

- 5.1 Permitted Use. Adopter licensed under Section 2.2 and/or Section 2.3 shall use Confidential Information (and tangible embodiments of any of the foregoing) only in accordance with the terms of this Agreement, and shall not use such information or any mentally-retained recollections thereof to circumvent or copy the methods disclosed in Confidential Information or to circumvent any obligations under this Agreement. Adopters licensed under Section 2.3 shall use Highly Confidential Information (and tangible embodiments of any of the foregoing) only in accordance with the terms of this Agreement and shall not use such information or any mentally retained recollection thereof to circumvent or copy the methods disclosed in Highly Confidential Information or to circumvent any obligation under this Agreement. With the exception of Confidential Information, Highly Confidential Information and MKBs, Adopter may otherwise use and disclose in its business the increased or enhanced knowledge retained in the unaided memories (that is, without current use of the Confidential or Highly Confidential Information recorded in any tangible form) of its directors, employees, agents or contractors as a result of their exposure to the Confidential Information or Highly Confidential Information. No recipient of Confidential Information or Highly Confidential Information shall: (i) intentionally memorize the Confidential Information or Highly Confidential

Information so as to reduce it to an intangible form for the purpose of creating a residual or using the same: or (ii) avoid its obligation to maintain the confidentiality of the Confidential Information or Highly Confidential Information merely by having a person commit such item to memory so as to reduce it to intangible form. No party shall have any rights in any business endeavors of any other party that may use such knowledge and experience nor any right to compensation related to an Adopter's use of such knowledge and experience.

5.2 Confidential Information. Adopter shall maintain the confidentiality of Confidential Information in the following manner:

5.2.1 Adopter shall employ procedures for safeguarding Confidential Information at least as rigorous as Adopter would employ for its own Confidential Information, but no less than a reasonable degree of care.

5.2.2 Adopter may disclose Confidential Information to (1) regular full-time and/or part-time employees (with the exception of short-term employees including by way of example and not of limitation employees such as interns, seasonal and temporary employees), and individuals retained as independent contractors who have a reasonable need to know such Confidential Information in order to allow Adopter to implement the 4C Technology in compliance with the Specification and who have executed a nondisclosure agreement sufficient to protect the Confidential Information in accordance with the terms of this Agreement; (2) other Adopters who are subject to a nondisclosure agreement sufficient to protect the Confidential Information in accordance with the terms of this Agreement; (3) Adopter's attorneys, auditors or other agents who have a reasonable need to know the Confidential Information and who owe Adopter a duty of confidentiality sufficient to prevent the disclosure of such Confidential Information. Adopter may disclose Confidential Information to third parties who make, for the sole account of the Adopter, Evaluation/Development Licensed Components, Evaluation/Development Licensed Products, Production/Sale Licensed Products and Production/Sale Licensed Components, provided that the Adopter shall remain responsible for the maintenance of the confidentiality of the Confidential Information provided to such third parties and shall execute a nondisclosure agreement with such third parties sufficient to protect the Confidential Information in accordance with the terms of this Agreement.

5.3 Highly Confidential Information. An Adopter licensed under Section 2.3 shall maintain the confidentiality of Highly Confidential Information in the following manner:

5.3.1 Such Adopter shall employ procedures for safeguarding Highly Confidential Information at least as rigorous as the Adopter would employ for its own most highly confidential information, such procedures to include, at a minimum: (1) maintaining on the Adopter's premises a secure location in which any and all Highly Confidential Information shall be stored, where such a location may include electronic storage that is at least as secure with respect to the Highly Confidential Information as the 4C Technology is with respect to the protection of digital content; (2) that any Highly Confidential Information stored in such a location shall be accessible only by Authorized Employees (as defined below); (3) that (x) where Highly Confidential Information is stored in a location that is physically secure, Authorized Employees visiting such location shall sign in and out each time that they visit such location; and (y) where Highly Confidential Information is stored securely in an electronic form, Authorized Employees having access to such Highly Confidential Information shall sign in and out each time that they have such access; and (4) when Highly Confidential Information is not in use, such information shall be stored in a locked safe at such secure location or shall be stored electronically in a form that is at least as secure with respect to the Highly Confidential Information as the 4C Technology is with respect to protection of digital content.

5.3.2 Such Adopter may disseminate Highly Confidential Information only to the strictest minimum possible number of regular full-time or part-time employees (with the exception of short-term employees including by way of example and not of limitation employees such as interns, seasonal and temporary employees) of Adopter: (1) who have an absolute need to know such Highly Confidential Information in order to enable Adopter to implement the 4C Technology in compliance with the Specification; (2) who are bound in writing by obligations of confidentiality sufficient to protect the Highly Confidential Information in accordance with the terms of this Agreement; and (3) who, prior to the disclosure of such Highly Confidential Information, have: (x) been identified in writing by Adopter to 4C; and (y) read and execute the acknowledgment attached as Exhibit D hereto (the original of such executed acknowledgment to be sent to 4C) ("Authorized Employee").

Adopter shall cause Authorized Employees to abide by their obligations hereunder and shall use the same efforts to enforce the confidentiality obligations of each Authorized Employee during and after the termination of his/her employment as Adopter uses to enforce with respect to Adopter's own similarly confidential information, provided that Adopter shall not use less than reasonable efforts in such enforcement. Adopter shall make reasonable efforts to assist 4C in relation to any claim, action, suit, proceeding, or litigation with respect to the access of Adopter's former employee to information provided under this Section 5. Notwithstanding any contrary provision, Adopter shall not disseminate any Highly Confidential Information to more than three (3) Authorized Employees per product category (e.g. SD card, DVD-RAM, etc.) ("Key Employees") unless Adopter has notified 4C in advance of its intention to increase the number of Key Employees to an additional increment of up to three (3) such employees. Adopter may make such notifications of additional increments of Key Employees without limit, but in doing so shall abide by the terms of clauses (1), (2), and (3), above. Adopter may substitute another employee for a Key Employee only in the event of death, permanent or long-term disability or resignation or termination of employment of an existing Key Employee or reassignment of an existing Key Employee to a substantially different business unit that is not involved in the development, manufacture, or sale of products (in the product category Key Employee was theretofore involved in) incorporating the 4C Technology. Adopter shall inform 4C in writing prior to the substitution or addition of any Key Employee. Adopter may also disclose Highly Confidential Information to an employee of another Adopter that has entered into an Adopter Agreement, where such other company is authorized to possess such Highly Confidential Information and where the employee to whom disclosure is made is a Key Employee for such other company. Prior to any disclosure pursuant to the preceding sentence, Adopter must assure itself that such other company is, in fact, authorized to possess the Highly Confidential Information to be disclosed, that the employee to whom such disclosure is to be made is entitled to possess the Highly Confidential Information to be disclosed, and that the method to be used to disclose Highly Confidential Information is as secure as the methods used by 4C to disclose the same information to the Adopter. Adopter may rely on a written representation from such other company, attesting that such company is authorized to possess the Highly Confidential Information and that the employee to

whom the disclosure is to be made is entitled to possess the Highly Confidential Information disclosed, provided Adopter does not know or have reason to know that the other company is not authorized to possess the Highly Confidential Information. Adopter may disclose Highly Confidential Information to third parties with whom Adopter has contracted to manufacture for the sole account of the Adopter, provided that the Adopter shall remain responsible for maintaining the confidentiality of the Highly Confidential Information provided to such third parties and provided that Adopter has executed a nondisclosure agreement with such third parties sufficient to protect the Highly Confidential Information in accordance with the terms of this Agreement.

- 5.4 Copies of Highly Confidential and Confidential Information. Adopter shall not make any copies of any document containing Highly Confidential Information and/or Confidential Information except when required for use by different business units manufacturing Compliant Products in the same product category but located in different facilities. In the event such information is required for use by such diversely located business units, Adopter may make one (1) copy of such documents for each affected business unit and each of the requirements and obligations of this Article will apply individually to each such business unit. Adopter shall notify Licensor in writing if such additional copies are made. Adopter may request that 4C provide Adopter with additional copies of Confidential and/or Highly Confidential documents for a fee of \$500 per additional copy, such fee to be submitted to 4C with each request. 4C may, in its sole discretion, fulfill any such request, provided that 4C shall not unreasonably refuse to provide requested additional copies.
- 5.5 Contact Person and Provision of 4C Information. Adopter shall designate a single Authorized Employee who shall receive all Confidential Information and/or Highly Confidential Information (the "Adopter Contact") disclosed by Licensor and may designate a single alternative Authorized Employee ("Alternate Adopter Contact") who shall be entitled to receive such Confidential Information and/or Highly Confidential Information in the event that Adopter Contact is absent at the time such information is to be provided. Prior to the provision of any Confidential Information and/or Highly Confidential Information to the Adopter Contact or Alternate Adopter Contact, such Adopter Contact or Alternate Adopter Contact shall have complied with all of his/her obligations under Sections 5.2 and 5.3. Additional Adopter contacts may be authorized by Licensor, subject to additional fees and security requirements.
- 5.6 Notification of Unauthorized Use or Disclosure. Adopter shall notify Licensor in writing promptly upon discovery of any unauthorized use or

disclosure of Confidential Information and/or Highly Confidential Information, and will cooperate with Licensors and the Founders in every reasonable way to regain possession of such information and to prevent its further unauthorized use or disclosure.

- 5.7 Disclosure of Adopter Status. Licensors shall have the right to disclose to third parties the fact that Adopter licensed under Section 2.3 has obtained a license to implement the 4C Technology and shall publish a list of Adopters at least once per quarter which list shall specifically identify those Adopters that are DVD Audio Disc Replicators. Upon Adopter's timely written request to Licensors, Licensors shall maintain the fact that Adopter has obtained a license to implement the 4C Technology confidential until such time that Adopter licensed under such Section 2.3 has publicly announced that it intends to manufacture a Production/Sale Licensed Product or Production/Sale Licensed Component or has begun marketing such a product, whichever is earliest. In the event that Adopter licensed under Section 2.3 exercises this option, such Adopter shall promptly notify Licensors when it has publicly announced its product plans or begins marketing a Production/Sale Licensed Product or Production/Sale Licensed Component.
- 5.8 Disclosure of Authorized Resellers. Licensors shall publish a list at least once per quarter identifying Authorized Resellers eligible to receive Production/Sale Licensed Components. Adopter licensed under Section 2.3 shall check this list and/or consult with Licensors to determine whether sale or other distribution of Production/Sale Licensed Components pursuant to § 2.3(a) of this Agreement is authorized prior to distributing Production/Sale Licensed Components to any entity.
- 5.9 Disclosure Required By Law. In the event Adopter is required by law, regulation or order of a court or other authority of competent jurisdiction to disclose Confidential Information and/or Highly Confidential Information, (1) Adopter shall take reasonable steps to notify the Licensors prior to disclosure, or (2) where notice to the Licensors prior to disclosure is not reasonably possible, Adopter shall take reasonable steps to challenge or restrict the scope of such required disclosure and notify the Licensors as soon as possible thereafter. In either case, Adopter shall take reasonable steps to seek to maintain the confidentiality of the information required to be disclosed and to cooperate with Licensors in any effort undertaken by Licensors to challenge the scope of such required disclosure.
- 5.10 Confidentiality Exceptions. The confidentiality restrictions also shall not apply to Highly Confidential Information and/or Confidential Information which Adopter can demonstrate (1) is or has been developed by Adopter's employees without having access, to such information (including translations, derivations or abstractions of such information) and without

breach of this Agreement; (2) is or has been disclosed to Adopter, without obligation of confidentiality, by a third party who has developed such information without any direct or indirect access to (including retained mental impressions/recollections) such information and without any breach of such third party's obligations to Licensor, Founders, or Content Participants, Adopters, or a Fellow Adopter; (3) at the time of its disclosure by Licensor to Adopter, was already in its possession without obligation of confidence; or (4) was disclosed by Licensor to another party without obligation of confidentiality.

- 5.11 Confidentiality Period. The confidentiality obligations set forth in Section 5.2 shall be in effect during the term of this Agreement and shall continue thereafter until five (5) years after termination of this Agreement. The confidentiality obligations set forth in Section 5.3 shall be in effect during the term of this Agreement and shall continue thereafter until the later of (1) three (3) years after the last commercial use of the 4C Technology by Licensor or any Adopter, or (2) the expiration of the last copyright related to any 4C Technology encrypted/scrambled content which then exists in any country adhering to the Agreement on Trade Related Aspects of Intellectual Property Rights of the World Trade Organization dated April 15, 1994. Provided that such confidentiality obligations shall not apply to Device Keys that been Expired in accordance with the Expiration procedures contained in this Agreement.
- 5.12 Reverse Engineering. Under no circumstances shall Adopter reverse engineer, reverse translate, decompile, disassemble, or otherwise seek to determine the operation of any element of Highly Confidential or Confidential Information or allow another to do so. Adopter may, to the minimum extent necessary to test, debug, integrate or tune its own Evaluation/Development Licensed Component, Evaluation/Development Licensed Product, Production/Sale Licensed Product or Production/Sale Licensed Components to ensure that they work in their intended operational environment with other Evaluation/Development Licensed Component, Evaluation/Development Licensed Product, Production/Sale Licensed Products or Production/Sale Licensed Components conduct compliance or electrical analyses with respect to the operation of other Compliant Products that form part of such intended operational environment.
- 5.13 Export. Adopter shall comply with all applicable laws and regulations of the United States, Japan and other countries and jurisdictions relating to the export or re-export of commodities, software, and technical data insofar as they relate to activities under this Agreement, and shall obtain any approval required under such laws and regulations whenever it is necessary for such export or re-export. Adopter agrees and understands that commodities, software and technical data provided under this

Agreement may be subject to restrictions under the export control laws of the United States, Japan and other countries and jurisdictions, as applicable, including but not limited to the US Export Administration Act, the US Export Administration Regulations, and the Japanese Foreign Exchange and Foreign Trade Law, and shall obtain any approval required under such laws and regulations whenever it is necessary for such export or re-export.

- 5.14 Treatment. Any materials marked “Confidential” or “Highly Confidential” shall be deemed “Confidential” or “Highly Confidential” (as the case may be) under this Agreement.

6. TERM/TERMINATION

- 6.1 Termination. This Agreement shall commence upon the Effective Date and shall continue until terminated in accordance with any of the following events:

- 6.1.1 Evaluation/Development license. The Evaluation/Development license granted under Section 2.2 shall terminate ("Evaluation/Development Termination") two years after the Effective Date, unless Adopter has activated the Production/Sale License consistent with Section 2.3. Within thirty (30) days of Evaluation/Development Termination, Adopter shall return all MKBs, Evaluation/Development Device Keys and Secret Constants and/or if so requested by 4C, shall within thirty (30) days of such request cause all MKBs, Evaluation/Development Device Keys and Secret Constants to be destroyed, disabled or otherwise deactivated. Adopter shall promptly provide to 4C a written certification signed by an officer or senior official of Adopter's company, subsidiary or division that all MKBs, Evaluation/Development Device Keys and Secret Constants have been returned, destroyed, disabled or otherwise deactivated, as the case may be.
- 6.1.2 Nonrenewal. This Agreement shall terminate twenty (20) years after the Effective Date unless renewed.
- 6.1.3 Termination by Adopter. Adopter shall have the right to terminate this Agreement at any time upon ninety (90) days prior written notice to Licensor and Founders.
- 6.1.4 Necessary Claim. Licensor may terminate the license(s) granted to Adopter immediately if Licensee asserts against any 4C Technology Licensee a Necessary Claim. For purposes of this Section, “4C Technology Licensee” means an entity that

has entered into a 4C Technology License Agreement with Licensor and Founders licensing some or all of the 4C Technology.

- 6.1.5 Breach. Licensor may terminate this Agreement and Founders may terminate any license to Necessary Claims for any material breach by Adopter, and Adopter may terminate this Agreement for any material breach by Licensor or Founders, by providing timely written notice to the other parties and an opportunity to cure the breach. If the breach is not fully cured within thirty (30) days of receiving such notice the Agreement may be terminated.
- 6.1.6 Avoidance of Legal Liability. Licensor may terminate this Agreement and Founders may terminate any licenses to Necessary Claims and/or convert such licenses to reciprocal covenants not to assert Necessary Claims in the event Licensor and/or Founders determine it is necessary to do so to avoid potential legal liability for Licensor, Founders, Adopters or Content Participants by providing thirty (30) days written notice to Adopters.
- 6.2 Effect of Termination. Upon termination or expiration of this Agreement, Adopter shall promptly cease use of the 4C Technology, and cease all activities under licensed rights, including but not limited to, use, evaluation, testing, development, production, manufacture, sale or distribution of products authorized by or licensed under this Agreement. Provided that, if the Agreement expires or is terminated for reasons other than an uncured breach by Adopter, Adopter licensed under Section 2.3 shall be entitled to a ninety (90) day sell-off period for Production/Sale Licensed Products and Production/Sale Licensed Components manufactured prior to the expiration or termination of the Agreement. Licenses to Necessary Claims from the Founders shall terminate upon termination or expiration of this Agreement. Within thirty (30) days after termination or expiration of this Agreement, Adopter shall return all Confidential Information and Highly Confidential Information to Licensor or, at Licensor's option destroy all such information in its possession, retaining no copies thereof, and provide to Licensor a written certification of such destruction signed by a senior official or officer of the Adopter.
- 6.3 Survival. The Reciprocal Non-Assertion Covenant (Section 2.7) and such other sections of this Agreement that, by their own terms survive termination or expiration of this Agreement, shall continue in full force after termination or expiration of this Agreement until by their terms they are fulfilled.

7. DISCLAIMER & LIMITATION ON LIABILITY

- 7.1 Generally. The following terms limit the ability of the Adopter to recover any damages from Licensor or the Founders in excess of fees actually paid to the Licensor by Adopter. These provisions are an essential part of the bargain, without which Licensor would not be willing to enter into this Agreement, and the Founders would not be willing to license their Necessary Claims to Licensor.
- 7.2 Disclaimer. ALL INFORMATION, 4C TECHNOLOGY, AND SPECIFICATIONS ARE PROVIDED "AS IS." LICENSOR, FOUNDERS AND THEIR AFFILIATES MAKE NO REPRESENTATIONS OR WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND EXPRESSLY DISCLAIM IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND ANY EQUIVALENTS UNDER THE LAWS OF ANY JURISDICTION THAT MIGHT ARISE FROM ANY ACTIVITIES OR INFORMATION DISCLOSURES RELATING TO THIS AGREEMENT. LICENSOR, FOUNDERS, AND AFFILIATES FURTHER DISCLAIM ANY WARRANTY THAT ANY IMPLEMENTATION OF THE SPECIFICATIONS, IN WHOLE OR IN PART, WILL BE FREE FROM INFRINGEMENT OF ANY THIRD PARTY INTELLECTUAL PROPERTY OR PROPRIETARY RIGHTS.
- 7.3 Limitation of Liability. NEITHER LICENSOR NOR FOUNDERS OR THEIR AFFILIATES, NOR ANY OF THEIR DIRECTORS, OFFICERS, AGENTS, MEMBERS, REPRESENTATIVES, EQUIVALENT CORPORATE OFFICIALS, OR EMPLOYEES ACTING IN THEIR CAPACITIES AS SUCH (COLLECTIVELY THE "AFFECTED PARTIES") OR AFFILIATES SHALL BE LIABLE TO ADOPTER FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES ARISING OUT OF ANY CAUSE OF ACTION RELATING TO THIS AGREEMENT, OR BASED ON ANY PERSON'S USE OF OR MAKING, USING, SELLING OR IMPORTING ANY PRODUCTS OF ADOPTER THAT IMPLEMENT CONFIDENTIAL OR HIGHLY CONFIDENTIAL INFORMATION OR THE 4C TECHNOLOGY OR SPECIFICATIONS, WHETHER UNDER THEORY OF CONTRACT, TORT, INDEMNITY, INTELLECTUAL PROPERTY INFRINGEMENT (DIRECT, CONTRIBUTORY OR OTHERWISE) PRODUCT LIABILITY OR OTHERWISE. TO THE EXTENT THAT ANY COURT OF COMPETENT JURISDICTION RENDERS JUDGMENT AGAINST ANY OF THE AFFECTED PARTIES NOTWITHSTANDING THE ABOVE LIMITATION, THE AFFECTED PARTIES' AGGREGATE LIABILITY TO ADOPTER IN CONNECTION WITH THIS AGREEMENT SHALL IN NO EVENT EXCEED THE FEES PAID BY ADOPTER TO LICENSOR

HEREUNDER. ADOPTERS AND THEIR DIRECTORS, OFFICERS, AGENTS, MEMBERS, REPRESENTATIVES, EQUIVALENT CORPORATE OFFICIALS, OR EMPLOYEES ACTING IN THEIR CAPACITIES AS SUCH SHALL NOT BE LIABLE TO LICENSOR, FOUNDERS, OR THEIR AFFILIATES FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES BUT SHALL BE LIABLE FOR DAMAGES AS SET FORTH IN SECTION 8.

- 7.4 Interoperability With Other Encrypted Blocks of Keys. Adopter understands and agrees that the MKBs provided pursuant to this Agreement are unique to the 4C Technology and may not be interoperable with other encrypted blocks of keys licensed or distributed by any one or more of the Founders.
- 7.5 Adopter licensed under Section 2.2 acknowledges that it may require a license under patent claims other than Necessary Claims owned by a Founder, Fellow Adopter or Content Participant, to make, have made, or use Evaluation/Development Licensed Products and/or Evaluation/Development Licensed Components and Adopter licensed under 2.3 acknowledges that it may require a license under patent claims other than Necessary Claims owned by a Founder, Fellow Adopter or Content Participant, to make, have made, use, sell, offer to sell, import, or otherwise transfer Production/Sale Licensed Products and/or Production/Sale Licensed Components and to have made Evaluation/Development Licensed Products and Evaluation/Development Licensed Components consistent with Section 2.3.

8. REMEDIES

- 8.1 Indemnification for Wrongful Acts of Adopter. Adopter shall indemnify and hold Licensor, the Founders and their officers, members, representatives, agents, directors, equivalent corporate officials, and employees, harmless from and against any and all losses, claims, actions, suits, proceedings or litigation, and any losses, deficiencies, damages, liabilities, costs and expenses including without limitation, reasonable attorney's fees and all related costs and expenses, to be paid or otherwise incurred in connection with the defense of any claim, action, suit, proceeding or litigation, which result from any breach of any covenant, agreement, representation or warranty herein or negligent acts committed by Adopter, its Affiliates and its or their employees and agents.
- 8.2 Device Inspection. Licensor may acquire products on the open market for examination. If requested, Adopter shall provide reasonable cooperation in affording Licensor an example of any product distributed hereunder and shall provide, once per model of product under the terms of a Non-

Disclosure Agreement equivalent to the CPRM/CPPM Key Evaluation NDA, the service manual for such product and any further details necessary to determine whether Adopter's product is in compliance with the rules. By way of example such details include the executable object code, functional design diagrams, and block diagrams, but shall not include the source code, the Verilog Hardware Description Language ("VHDL") or similar highly confidential information. Adopter may, at its option, provide further information.

8.3 Equitable Relief. Adopter agrees that if it breaches its obligations under Section 5 or the Compliance Rules (including the Robustness Rules) of this Agreement, money damages may be inadequate to compensate an injured party due to the unique nature of certain provisions of this Agreement and the lasting effect and harm from any breach of such provisions, including making available the means for and/or providing an incentive for widespread circumvention of the 4C Technology and unauthorized copying of copyrighted content intended to be protected using the 4C Technology. Adopter further agrees that, as provided by law, injunctive relief is an appropriate remedy to prevent or limit the adverse consequences of actual or threatened material breaches of this Agreement.

8.4 Damages Measures and Limitation. The parties agree that it may be impossible to estimate the amount of damages in the event of certain breaches. Adopter agrees that in the event of those material breaches by Adopter described below in Sections 8.4.1-8.4.3, Licensor, in addition to any other remedies in equity, but in lieu of any and all other claims for monetary damages may recover liquidated damages for each material breach in the amount set forth below. For purposes of this Section 8.4, a series of substantially related events shall constitute a single material breach.

8.4.1 Material Breach of Confidentiality Provisions. In the event of a material breach of the Confidentiality Provisions set forth in Section 5 of this Agreement, Adopter shall be liable for one million dollars. For purposes of this Section 8.4.1 a breach shall be "material" only if it has resulted in or would be likely to result in commercially significant harm to other users of the 4C Technology, including but not limited to Fellow Adopters and Content Participants, or constitute a threat to the integrity or security of the 4C Technology. In addition, the following is a non-exclusive list of circumstances in which there is no material breach of the applicable provisions: (1) if no Confidential Information and/or Highly Confidential Information was released to a third party not permitted hereunder to have such information or could reasonably have been expected to have been released to such third party as a result of the breach; (2) if

Adopter maintains a documented internal program to assure compliance herewith (including a program to assure maintenance of inventory, samples, and confidentiality of information for purposes in addition to compliance with this Agreement), the breach was inadvertent or otherwise unintentional, and the breach did not have a material adverse effect on the integrity or security of the 4C Technology; or (3) if Adopter brought the breach to 4C's attention in a timely manner as required by this Agreement and such breach did not have a material adverse effect on the integrity or security of the 4C Technology.

8.4.2 Material Breach of Compliance or Robustness Rules. In the event of a material breach that involves the manufacture or distribution of devices or software that fail to protect 4C Technology as provided by the applicable Compliance and Robustness Rules, Adopter shall be liable in an amount equal to its profits on such devices or software, and in no event less than one million dollars nor more than eight million dollars.

8.4.3 Other Material Breaches. In the event of a material breach that involves any other provision of this Agreement, Adopter shall be liable in an amount equal to its profits on the affected devices or software, and in no event more than eight million dollars.

8.5 Third Party Beneficiary Rights. The parties agree that Adopter's compliance with the terms and conditions of this Agreement is essential to maintain the value and integrity of the 4C Technology. As part of the consideration granted herein, an Adopter licensed under Section 2.3 agrees that each Content Participant that (1) distributes its Digital Audio Content or Digital Video Content in commercial quantities in a form protected by the 4C Technology pursuant to the 4C CPPM Digital Audio Content Participant Agreement and (2) is in compliance with all of the material terms and conditions of its Content Participant Agreement (an "Eligible Content Participant") shall be a Third Party Beneficiary of this Agreement and shall be entitled to bring a claim or action to enforce certain rights against Adopter in accordance with the procedures set out in this Article 8, with respect to Adopter's implementation of the 4C Technology, so long as Content Participant is an Eligible Content Participant with respect to any product that receives, transmits or plays data in a format protected by the 4C Technology. Such rights will be limited to seeking injunctive relief against the manufacture, distribution, commercial use and sale of Adopter's products that are in material breach of the Compliance Rules, and against disclosure of Confidential Information or Highly Confidential Information, in breach of this Agreement, that materially and adversely

affects the integrity of the 4C Technology or the security of Digital Audio Content owned or controlled by Content Participant. The prevailing party in any action brought under Sections 8.5 or 8.6 of this Agreement or the analogous section of the Content Participant Agreement shall additionally be entitled to an award of its reasonable attorneys fees incurred in relation to the Third Party Beneficiary Claim in an amount to be fixed either pursuant to stipulation by the parties to a given case or the court provided that (a) the prevailing party (x) if it is an Eligible Content Participant, establishes by clear and convincing evidence that the Adopter has materially breached or engaged in a pattern or practice of breaching the Compliance Rules or disclosing Confidential Information or Highly Confidential Information and (y) if it is an Adopter establishes by clear and convincing evidence that the Content Participant has materially breached or engaged in a pattern or practice of breaching the Encoding Rules in the Content Participant Agreement; (b) the court in its discretion may elect to make no award of attorneys fees in any given case, and in any event, shall be limited to an award of no more than \$1 million; and (c) no award of attorneys fees shall be available against any Founder.

8.6 Adopter Claims. While Adopter licensed under Section 2.3 is in compliance with all material terms and conditions of this Agreement, Adopter shall be a Third Party Beneficiary of each Content Participant Agreement and shall be entitled to bring a claim or action to enforce rights against a Content Participant, in accordance with the third-party-beneficiary procedures set out in this Article 8, with respect to such Content Participant's compliance with its obligations under its Content Participant Agreement regarding the Encoding Rules set out therein; provided such rights, pursuant to such Content Participant Agreement, shall be limited to seeking injunctive relief against the manufacture, distribution, commercial use and sale of Content Participants products that are in material breach of the Encoding Rules set forth therein and prevailing party attorneys fees as set forth in section 8.5.

8.7 Procedures for Third Party Beneficiary Claims. Prior to initiating any Third Party Beneficiary claim, the party seeking to institute such a claim shall provide Licensor written notice of its intent to pursue such a claim. Such Third Party Beneficiary shall likewise provide Licensor notice of the actual filing of any Third Party Beneficiary claims, and shall at Licensor's request provide copies of material documents to be filed in such Third Party Beneficiaries initiation, institution or pursuit of such Beneficiary claim. Licensor shall offer reasonable cooperation to such Third Party Beneficiary in providing appropriate and necessary information in connection with the beneficiary claim to the extent that such cooperation is consistent with protecting the integrity and security of the 4C Technology and does not otherwise interfere with Licensor's obligations

to other Adopters or Content Participants. Third Party Beneficiaries shall not be obligated to provide copies of documents filed or to be filed under seal. Licensor shall have the option of requiring that any information or documents provided by Licensor, Founders, or Fellow Adopters to Third Party Beneficiary be filed under seal. Documents provided to Licensor under the procedures set out herein shall not include any documents filed or to be filed under seal in connection with such Beneficiary claim.

- 8.8 Joining Third Party Beneficiary Claims. Licensor shall provide timely notice to all Content Participants and/or Adopters licensed under Section 2.3 of receipt of any notice of a Beneficiary Claim against a defendant (“Defendant”). Within 30 days of the date of mailing of such notice, all Content Participants and/or Adopters shall elect whether to join the Beneficiary Claim and provide notice of intent to join such Beneficiary Claim to Licensor. The failure to provide notice to Licensor and to move to join such Beneficiary Claim within the allotted thirty (30) day period shall be deemed a waiver of Content Participant’s and/or Adopter’s Third Party Beneficiary right under the Content Participant Agreement and this Adopter Agreement with respect to all Beneficiary Claims against Defendant arising out of the alleged breach asserted by Third Party Beneficiary. The Third Party Beneficiary instituting or initiating a Beneficiary Claim shall support, and Defendant shall not object to, any motion to so join provided it is instituted within the 30 day period following mailing of notice of a Beneficiary Claim. Judgment entered upon such Beneficiary Claims shall be binding on all Content Participants and/or Adopters who received notice from Licensor as if they had joined such Beneficiary Claim. Neither a Content Participant’s and/or Adopter’s failure to notify and consult with Licensor, nor Licensor’s failure to give notice to any Content Provider or Adopter in accordance with these Third Party Beneficiary procedures shall be a defense to any Beneficiary Claim or grounds for a request to delay the granting of preliminary relief requested.
- 8.9 Settlement of Third Party Beneficiary Claims. Third Party Beneficiaries shall have no right to, and Adopter licensed under Section 2.3 agrees that it shall not, enter into any settlement that: (1) amends any material term of this Agreement or the Content Participant Agreement; (2) has an adverse effect on the integrity/and or security of the 4C Technology; or (3) adversely affects or lowers the value of any of 4C’s or the Founder’s rights in and to the 4C Technology or any intellectual property right related to it (embodied therein) unless 4C and the Founders shall have provided prior written consent thereto.
- 8.10 No Limitation of Remedies. A Third Party Beneficiary’s exercise of its Third Party Beneficiary rights under this Section 8 shall not constitute an election against any statutory or other extra-contractual remedy against

Adopter, or Content Participant, as the case may be, such as an action for infringement of copyright, which may be available to the Third Party Beneficiary for the same act that gave rise to the Third Party Beneficiary Claim.

9. EXPIRATION OF DEVICE KEYS

9.1 Generally. The Specification includes means by which Device Keys and/or Device Key Sets may be invalidated, rendering them unable to record or playback Digital Audio or Digital Video Content protected by the 4C Technology (generally, “Expire”, “Expiration” or “Expired”). Licensee understands and agrees that if 4C determines that circumstances warranting expiration of such Device Keys or Device Key Sets exist, all devices incorporating said Device Key Set shall be Expired. There are three basic types of Device Key Set assignments to Production/Sale Licensed Products:

9.1.1 Type A: Device Key Sets are unique per device or instance of software.

9.1.2 Type B: Device Key Sets may be shared among a limited number of devices or instances of software. Implementations are required to be renewable, preferably via user-transparent means such as the download of updated software from a website. In the event a Device Key Set is Expired, Adopter shall provide clear information to the end user indicating that renewal is necessary and describing the necessary steps to perform the update. This update shall be made available at no cost to the end user. Adopter shall make an update (using a new Device Key Set) ready and available within 2 weeks of notification from the 4C.

9.1.2.1 Unconnected Devices: When a device or software with Type B Device Key Sets can be used without the end-user ever making a connection (i.e. an internet connection) that could be used to download updates, the Device is considered to be Unconnected. If an Unconnected Device’s Key Set is Expired, Adopter shall make an update available via download and prompt delivery via physical mail. For Unconnected Devices, a single Device Key Set may be shared by no more than 5,000 instances.

9.1.2.2 Connected Devices: When a device or software with Type B Device Key Sets requires the end-user to make a connection at least once in order to obtain or use the software, the Device is considered to be Connected. If a

Connected Device's Key Set is Expired, Adopter shall make an update available via download and at Adopter's option prompt delivery via physical mail. For Connected Devices, a single Device Key Set may be shared by no more than 10,000 instances.

9.1.3 Type C: Device Key Sets may be shared among any number of devices or instances of software without limit. This requires managed renewable implementations. For purposes of this section "Managed" means that Periodic Updates are implemented (even if no Device Key Set expiration occurs) based on an on-going connection between the end-user and the distributor of the Managed Device Key Sets. For purposes of this section "Periodic Update" is the equivalent of a software release. The old release is disabled and replaced by a new release that uses a new Device Key Set. These Periodic Updates shall occur at least twice a year, beginning from first product availability. The Managed environment shall also be able to perform Device Key Set expiration, at the direction of the 4C, independently of the 4C's Device Key Set expiration mechanisms. All Managed updates shall occur via user-transparent means such as download of updated software from a website. In the event a Device Key Set is Expired, Adopter shall make an update (using a new Device Key Set) ready and available within 2 weeks of notification from 4C.

9.2 Circumstances Warranting Expiration. 4C, at its own initiative or that of any Adopter licensed under Section 2.3, or Eligible Content Participant, as defined in Section 8.5, may Expire a Device Key when it determines, based on the facts presented to it, that (1) a Device Key Set has been cloned such that the same Device Key Set is found in more than one device or Production/Sale Licensed Product Set other than in a product merely implementing type B or C Key Sets; (2) a Device Key has been made public, lost, stolen, intercepted or otherwise misdirected or disclosed in violation of this Agreement; or (3) 4C is directed to Expire a Device Key by the National Security Agency, court order, or other competent government authority. Without limiting the foregoing, 4C shall not Expire a Device Key (a) based on Adopter's breach of this Agreement, other than where Adopter has cloned or made public a Device Key or such Device Key has otherwise been disclosed in violation of this Agreement; or (b) to disable products or devices where the security of the 4C Technology has been compromised by third parties, other than where a Device Key has been cloned, made public, or otherwise disclosed in violation of this Agreement.

- 9.3 Consultation with Affected Adopter. In the event Licensor receives a request to Expire a Device Key based on a sworn affidavit from an Eligible Content Participant or a Fellow Adopter licensed under Section 2.3 that (i) a Device Key sought to be Expired has been made public, lost, stolen, intercepted, or otherwise misdirected or disclosed in violation of this agreement; or (ii) a Device Key Set has been cloned such that the same Device Key Set is found in more than one device or product (the “Expiration Criteria”) Licensor shall promptly provide the affected Adopter with a copy of such affidavit and request its consent to Expire the applicable Device Key. Adopter shall respond to Licensor’s request within fifteen (15) days of receiving notice in accordance with the notice procedures of this Agreement and shall not unreasonably withhold its consent to Expire a Device Key. Should Adopter reasonably believe that neither of the Expiration Criteria have been met, Adopter shall so inform Licensor, providing reasons why the affidavit did not provide facts that would satisfy the Expiration Criteria and supplying any additional facts in its own sworn affidavit that establish why the Expiration Criteria have not been met, and shall thereafter promptly submit to arbitration in accordance with the procedures set forth in Section 9.5(a)(iii).
- 9.4 Adopter Request for Expiration. Adopter licensed under Section 2.3 may seek Expiration by providing proof in a sworn affidavit of facts indicating that a particular Device Key should be Expired because a Device Key has been made public, lost, stolen, intercepted or otherwise misdirected or disclosed in violation of this agreement, or that a Device Key Set has been cloned such that the same Device Key Set is found in more than one device or Production/Sale Licensed Product Set. Such Adopter affidavit shall be sufficiently detailed that 4C can determine solely on the basis of such affidavit whether the facts averred are sufficient to satisfy the Expiration Criteria.
- 9.5 Procedures for Expiration.
- (a) Upon receipt of a sworn affidavit from a Fellow Adopter licensed under Section 2.3 or Eligible Content Participant as provided above and in Section 6.3 of the Content Participant Agreement, Licensor shall review it in light of the Expiration Criteria and, in accordance with Licensor’s procedures, promptly determine whether Expiration is warranted.
 - (i) If Licensor determines that either or both of the Expiration Criteria are met by the affidavit, Licensor shall promptly provide the affected Adopter with a copy of the affidavit and request its consent to Expire the applicable Device Keys. If the Adopter consents, Licensor shall take steps to Expire the applicable CPPM Device Keys by promptly

delivering or causing to be delivered to all Content Participants relevant Expiration Information and shall take steps to Expire the applicable CPRM Device Keys by promptly delivering or causing to be delivered to all Adopters relevant Expiration Information.

- (ii) If (A) Licensor determines that neither of the Expiration Criteria are met; or (B) the affected Adopter (x) objects to Licensor's request to Expire or (y) does not respond to Licensor's request to Expire within fifteen (15) days, the matter shall be submitted to arbitration. At such arbitration the party or parties seeking Expiration shall bear the burden of proof to demonstrate by a preponderance of the evidence that the Expiration Criteria have been met.
- (iii) Any arbitration pursuant to this section 9.5 shall be conducted in accordance with the following procedures:
 - (a) There shall be a sole arbitrator who shall be selected by the American Arbitration Association from its National Panel of Commercial Arbitrators.
 - (b) The arbitration shall be conducted in New York, N.Y. in accordance with the International Arbitration Rules of the American Arbitration Association. The arbitration shall be conducted in English.
 - (c) The arbitrator may conduct the arbitration in such manner as it shall deem appropriate, including the imposition of time limits that it considers reasonable for each phase of the proceeding, but with due regard for the need to act, and make a final determination, in an expeditious manner.
 - (d) The arbitrator shall permit and facilitate such limited discovery as he or she shall determine is reasonably necessary, taking into account the needs of the parties and the desirability of making discovery as expeditious and cost-effective as possible.
 - (e) The parties and the arbitrator shall treat the arbitration proceedings, any related discovery, documents and other evidence submitted to, and the decision of, the arbitrator as Confidential Information. In addition, and as necessary, the arbitrator may issue orders to protect the confidentiality of proprietary information, trade

secrets and other sensitive information disclosed in discovery or otherwise during the arbitration.

- (f) The arbitrator is empowered solely to determine whether either of the Expiration Criteria have been met. Any such determination shall be final and binding on the parties, except that whether the arbitrator exceeded his or her authority in determining the remedy, or otherwise, shall be fully reviewable by a court of competent jurisdiction. Judgment upon any award shall be entered in a court of competent jurisdiction.
- (g) The arbitrator shall be compensated at his or her hourly rate, determined at the time of appointment, for all time spent in connection with the arbitration, and shall be reimbursed for reasonable travel and other expenses. The arbitrator shall determine all costs of the arbitration, including his or her fees and expenses, the costs of expert advice and other assistance engaged by the arbitrator, the cost of a transcript and the costs of meeting and hearing facilities. The arbitrator shall assess the losing party or parties the costs of the arbitration set forth in this subsection (g).

- 9.6 Upgrades Following Expiration. Adopter licensed under Section 2.3 may, at its option, request that Content Participants that have included a CPPM MKB with updated CPPM Expiration Information in their pre-recorded Digital Audio Content in order to Expire Device Keys, also include an upgrade for Production/Sale Licensed Products whose Device Keys have been Expired. Such upgrade information shall be provided by the affected Adopter to Content Participants for inclusion in their pre-recorded Digital Audio Content free of charge, and shall be included by Content Participants unless in the Content Participant's good faith judgment: (i) inclusion of the upgrade would significantly reduce the content capacity of the pre-recorded media or adversely affect the sound quality of Digital Audio Content embodied on the pre-recorded media, and Content Participant cannot avoid such adverse effects by taking commercially reasonable steps; (ii) inclusion of the upgrade would interfere with the ability of other Compliant Products to play back or record content in accordance with the Compliance Rules; (iii) the affected Adopter has engaged in a pattern or practice of materially or willfully breaching the Compliance Rules in a manner that exposes Digital Audio Content to an unreasonable risk of unauthorized copying and Licensor has refused to terminate licenses to Necessary Claims after receiving a written request from Content Participant to do so, provided that in the event that the

affected Adopter's Adopter Agreement is terminated by Licensor and Founders have terminated the affected Adopter's licenses to Necessary Claims, Content Participant shall, at the Licensor's request carry a final upgrade to restore Device Keys for Production/Sale Licensed Products whose Device Keys have expired, or (iv) the affected Adopter providing the upgrade declines to indemnify Content Participant from and against any claims, actions, liabilities, losses or damages, including reasonable attorneys fees, arising from the upgrade itself as supplied by the Adopter or Content Participant in its good faith judgment believes manufacturer lacks resources to cover indemnity. Such indemnity need not include an indemnification against any claims, actions, liabilities, losses or damages, including reasonable attorneys fees, arising from the upgrade as subsequently modified by or at the direction of the Content Participant, or from its application to or combination with anything on the disc in a manner other than as expressly specified by the affected Adopter. In the event Content Participant refuses to include the upgrade in accordance with 9.6.(i), (ii), (iii), or (iv) above, Content Participant shall promptly provide the affected Adopter and Licensor, written notice of the refusal explaining the reasons for such refusal and shall cooperate with the affected Adopter to seek alternative implementations of the proposed upgrade.

10. MISCELLANEOUS

- 10.1 Ownership. All Confidential and/or Highly Confidential Information, copyrighted or patented information, and media containing any of the above as provided by Licensor to Adopter shall remain the property of Licensor, the Founders, or their suppliers. Except as expressly provided herein, this Agreement does not give Adopter any license or other rights to any information provided under this Agreement.
- 10.2 Entire Agreement. Except as rights under this Agreement are affected/determined by the terms of Content Participant Agreements, this Agreement, the exhibits hereto and the Specifications constitute the entire agreement between the parties with respect to the subject matter involved and supersede all prior oral or written agreements. This Agreement shall not be modified except in accordance with § 3.2 or by written agreement dated subsequent to the date of this Agreement and signed by all parties.
- 10.3 Currency. All fees shall be paid to 4C or to its order in United States dollars by wire transfer or such other means as 4C may reasonably specify.
- 10.4 Assignment. The rights and licenses granted to Adopter by this Agreement are personal to Adopter and shall not be assigned or otherwise transferred except: (1) with the written approval of 4C and with respect to

Necessary Claims, written approval of the Founders, which approval shall not be unreasonably withheld; (2) to a corporation controlling, controlled by or under common control with Adopter; or (3) to the purchaser of all or substantially all of the outstanding capital stock or assets and obligations of Adopter or of all or substantially all of the outstanding capital stock or assets and obligations of the business unit of Adopter that is making use of the Confidential and/or Highly Confidential Information in its business activities or the surviving entity in a merger, reorganization, or other business combination; provided written notice of such assignment has been provided in advance to 4C and the surviving or acquiring company has agreed in writing to be bound by the terms of this Agreement. Subject to the limitations set forth in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties, their successors and permitted assigns. 4C or Founders may assign or transfer this Agreement to a party that agrees to assume the transferors obligations hereunder, and will provide Adopter with written notice of such assignment or transfer.

- 10.5 Presumptions. In construing the terms of this Agreement, no presumption shall operate in any party's favor as a result of its counsel's role in drafting the terms or provisions hereof.
- 10.6 Governing Law. THIS AGREEMENT, AND ALL THIRD PARTY BENEFICIARY CLAIMS BROUGHT PURSUANT TO IT, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY IN SUCH STATE.
- 10.7 Consent to Jurisdiction. IN CONNECTION WITH ANY LITIGATION BETWEEN THE PARTIES HERETO OR IN CONNECTION WITH ANY THIRD PARTY BENEFICIARY CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, EACH PARTY IRREVOCABLY CONSENTS TO: (1) THE EXCLUSIVE JURISDICTION AND VENUE IN THE FEDERAL AND STATE COURTS LOCATED IN THE COUNTY OF NEW YORK, N.Y. EXCEPT THAT ADOPTER, IF IT HAS A PLACE OF BUSINESS IN CALIFORNIA, MAY BRING THIRD PARTY BENEFICIARY CLAIMS PURSUANT TO § 8.7 IN CALIFORNIA; AND (2) THE SERVICE OF PROCESS OF SAID COURTS IN ANY MATTER RELATING TO THIS AGREEMENT BY PERSONAL DELIVERY BY OVERNIGHT MAIL OR INTERNATIONAL COURIER, WHICH REQUIRES SIGNING ON RECEIPT, POSTAGE PREPAID, TO THE PARTIES AT THE ADDRESS SPECIFIED IN THIS AGREEMENT, OR TO THE AGENT TO BE APPOINTED PURSUANT TO § 10.8 BELOW. THE PARTIES AGREE TO WAIVE A JURY TRIAL ON ANY ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT.

- 10.8 Agent. ADOPTER SHALL APPOINT AN AGENT IN THE STATE OF NEW YORK FOR ACCEPTANCE OF SERVICE OF PROCESS PROVIDED FOR UNDER THIS AGREEMENT AND SHALL NOTIFY 4C OF THE IDENTITY AND ADDRESS OF SUCH AGENT WITHIN THIRTY DAYS AFTER THE EFFECTIVE DATE.
- 10.9 Notice. Any notice required to be given under this agreement shall be in writing and shall be by overnight mail or international courier, which requires signing on receipt, postage prepaid, to the parties at the address specified in this agreement. Such notices shall be deemed served when received by addressee or, if delivery is not accomplished by reason of some fault of the addressee, when tendered for delivery. Any party may give written notice of a change of address and, after notice of such change has been received, any notice or request shall thereafter be given to such party at such changed address.
- 10.10 Severability; Waiver. Should any part of this Agreement judicially be declared to be invalid, unenforceable, or void, the parties agree that the part or parts of this Agreement so held to be invalid, unenforceable, or void shall be reformed by the entity having jurisdiction thereover without further action by the parties hereto and only to the extent necessary to make such part or parts valid and enforceable. A waiver by any of the parties hereto of any of the covenants or promises to be performed by the other parties or any breach thereof shall not be effective unless made in writing and signed by the waiving party and shall not be construed to be a waiver of any succeeding breach thereof or of any covenant herein contained.
- 10.11 Election of License Category. Upon execution of this Agreement, Adopter shall elect to become an Evaluation/Development licensee and/or a Production/Sale licensee, by completing the initial election requirements in Sections 10.11.1 and/or 10.11.2. Subsequent to execution of this Agreement Adopter who has chosen to enter one license may enter a second license by submitting a revised election under Section 10.11.1 or Section 10.11.2.

10.11.1 Evaluation/Development license. Adopter elects to become an Evaluation/Development licensee, pursuant to Section 2.2 and agrees to comply with all the terms and conditions of this agreement, excluding Sections 5.3, 8.5-8.10 and 9. Adopter's election shall be effective by checking the box below upon execution of this Agreement.

☐ Initial Election: Adopter elects, upon execution of this Agreement, the Evaluation/Development license pursuant to Section 2.2.

☐ Revised Election: Adopter elects, subsequent to execution of this Agreement, the Evaluation/Development license pursuant to Section 2.2.

Date of election: _____.

Adopter authorized representative signature: _____

Licensors confirmation signature: _____

10.11.2 Production/Sale license. Adopter elects to become a Production/Sale licensee, pursuant to Section 2.3 and agrees to comply with all the terms and conditions of this Agreement. Adopter's election shall be effective by checking the box below upon execution of this agreement.

☐ Initial Election: Adopter elects, upon execution of this Agreement, the Production/Sale license pursuant to Section 2.3.

☐ Revised Election: Adopter elects, subsequent to execution of this Agreement, the Production/Sale license pursuant to Section 2.3

Date of election _____.

Adopter authorized representative signature: _____

Licensors confirmation signature: _____

SO AGREED AS OF THE DATE FIRST ABOVE WRITTEN.

This Agreement may be executed in multiple counterparts.

4C:	Adopter:
By: _____	By: _____
Name: <u>John Hoy</u>	Name: _____
Title: <u>Manager</u>	Title: _____

Addresses for notices

4C Entity LLC: 225 B Cochrane Circle Morgan Hill, California 95037	Adopter: _____ _____
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The parties below sign for purpose of agreeing to all Sections of this Agreement except for Sections 3.1, 8.2, 8.3, 8.7, 8.9 and 9.

International Business Machines Corp.
New Orchard Road
Armonk, New York 10504

By: _____
Name: John Hoy
Title: Attorney-in-fact
Date: _____

Intel Corporation
2200 Mission College Boulevard
Santa Clara, California 95052

By: _____
Name: John Hoy
Title: Attorney-in-fact
Date: _____

Matsushita Electric Industrial Co., Ltd.
1006 Kadoma
Kadoma, Osaka 571-8501

By: _____
Name: John Hoy
Title: Attorney-in-fact
Date: _____

Toshiba America Information Systems, Inc.
9740 Irvine Boulevard
Irvine, California 92618

By: _____
Name: John Hoy
Title: Attorney-in-fact
Date: _____

EXHIBIT A

Evaluation/Development Fees Appendix for 4C Adopter Agreement

1. Annual Administration Fees for the period April 15, 2003 through April 14, 2004.

\$ US 7,500

2. <u>Order Fulfillment Fees:</u>	Price
<input type="checkbox"/> Evaluation/Development Device Key Sets (1,000)	\$US 1,500
<input type="checkbox"/> Media Key Blocks (100)	\$ US 1,500
<input type="checkbox"/> Both – Evaluation/Development Device Key Sets and MKBs	\$ US 2,500

NOTE: Secret Constants are provided with each order.

3. Administrative Fees, Order Fulfillment Fees not Royalties

Administrative Fees and Order Fulfillment Fees are calculated based on the actual costs involved in providing administrative and key generation services to Licensees. 4C represents that monies collected as Administrative Fees and/or Order Fulfillment Fees are not solicited as nor intended to be consideration for the granting of a right to use any intellectual property, and, therefore, are not royalties, as that term is commonly understood.

4. Withholding from Payments

Any Fees paid by Adopter hereunder will be paid without deduction or withholding for or on account of any present or future tax, assessment, or governmental charge imposed or levied, unless in each case the withholding or deduction of such tax, assessment or governmental charge is required by law. In the event such withholding or deduction is so required, Adopter shall include with its payment written notification of such withholding and shall forward to 4C in a timely manner evidence of such withholding adequate to permit 4C and/or the Founders to claim relevant tax credits under applicable treaties. Adopter assumes full responsibility for remitting such withholding to the proper authority.

EXHIBIT B

Production/Sale Fees Appendix for 4C Adopter Agreement

1. Annual Administrative Fees for the period April 15, 2003 through April 14, 2004.
As provided in Section 4.2 of this Agreement, administrative fees are used to offset the costs associated with the Licensor's administration of the 4C Technology. As a result, the administrative fees may vary in subsequent years due to an increase or decrease in Licensor's administrative costs.

CPPM Audio Product Adopter	\$ US 12,000
DVD Audio Disc Replicator	\$ US 12,000
DVD CPRM Products Play Function Adopter	\$ US 12,000
DVD Recordable Disc CPRM Adopter	\$ US 12,000
DVD CPRM Product Record Function Adopter	\$ US 12,000
Reseller Associate	\$ US 6,000
CPRM SD Card Product Adopter	\$ US 9,000
CPRM SD Card Media Adopter	\$ US 9,000
CPRM Compact Flash Product Adopter	\$ US 9,000
CPRM Compact Flash Media Adopter	\$ US 9,000

Note: The maximum annual administrative fee for an Adopter selecting multiple categories is \$30,000. Content Participant administrative fees are part of a separate license agreement and fee schedule. Content Participant administrative fees are not combinable with Adopter administrative fees in order to reach the \$30,000 "cap" pursuant to the previous sentence.

2. Administrative Fees, Order Fulfillment Fees not Royalties

Administrative Fees and Order Fulfillment Fees are calculated based on the actual costs involved in providing administrative and key generation services to Licensees. 4C represents that monies collected as Administrative Fees and/or Order Fulfillment Fees are not solicited as nor intended to be consideration for the granting of a right to use any intellectual property, and, therefore, are not royalties, as that term is commonly understood.

3. Withholding from Payments

Any Fees paid by Adopter hereunder will be paid without deduction or withholding for or on account of any present or future tax, assessment, or governmental charge imposed or levied, unless in each case the withholding or deduction of such tax, assessment or governmental charge is required by law. In the event such withholding

or deduction is so required, Adopter shall include with its payment written notification of such withholding and shall forward to 4C in a timely manner evidence of such withholding adequate to permit 4C and/or the Founders to claim relevant tax credits under applicable treaties. Adopter and/or Content Participant assumes full responsibility for remitting such withholding to the proper authority.

4. Routing of Payments

All fees shall be paid to 4C or to its order in United States dollars by wire transfer or such other means as 4C may reasonably specify. Orders and payments shall be directed to 4C Entity, LLC, 225 B Cochrane Circle, Morgan Hill, CA 95037.

5. Recordkeeping and Audits

Adopter will be invoiced for fees at the time its order is received. All fees are due and payable prior to shipment of orders.

4C shall have the right to audit Adopter's and/or Content Participant's records as provided in the applicable Adopter and/or Content Participant Agreements for purposes of determining sufficiency of any payments hereunder.

6. Procedures for Handling Device Keys, MKBs and Secret Constants

4C will issue standards for handling Device Keys, MKBs and Secret Constants consistent with the terms of this Agreement. Adopter and/or Content Participant agrees to abide by all such standards. Standards will include, by way of example, that Device Keys be kept in a secure place and that only a limited number of people have access to them. Standards for handling MKBs will include, by way of example, that MKBs be used only in a limited number of media and that MKBs be used only within a given period of time after they are issued.

SD Card and Compact Flash Fee Schedule

1. Annual Unit Fees

	First 1-10M Units in a year	Next 40M (10-50M) Units in a year	Units Over 50M in a year
Card	\$.14/card	\$.05/card	\$.02/card
Device	0	0	0

Order Fulfillment Fee \$500/order

Device Key Orders shall be limited to a maximum of 400,000 device keys per order.

For each 100,000 units manufactured (or fraction thereof), at least one MKB must be ordered. A Maximum of 600 MKB sets (16 MKBs, one for each Block type – see the 4C Signing Facility Users Manual) can be ordered at one time. When ordering MKBs, a manufacturer shall only order sufficient MKBs to cover anticipated SD Card or Compact Flash Media production for the 3-month period subsequent to the fulfillment of the order. In the event that production in the given 3-month period is lower than anticipated, no more than one (1) order (i.e. 600 MKB sets) may be carried over for use in the next 3-month cycle.

2. Accounting for Media Unit Fees

Upon execution of this Agreement and upon each successive anniversary date of execution of this Agreement, Adopter shall declare its anticipated “Annual Units to be Shipped”.

Adopter shall further file quarterly “Year To Date Units Shipped” reports no later than 45 days after the end of each quarter. Anticipated “Annual Units to be Shipped” can be adjusted at each such reporting period.

DVD Fee Schedule

1. DVD Unit Fees for Media

CPPM for DVD Audio	\$.06/DVD disc (unless DVD Audio Disc Replicator contracts with Content Participant, in which case fees are determined by Content Participant Agreement).
CPRM for Recordable DVD	\$.02/recordable DVD disc
Order Fulfillment Fee:	\$500/order.

CPPM for DVD Audio orders shall be limited to a maximum of 185 MKBs. Fees for recordable DVD media are on a per media basis, available in 1,000,000 unit increments. For each 1,000,000 units of media manufactured (or fraction thereof), at least one MKB must be ordered. A Maximum of 1,500 MKBs can be ordered at one time. When ordering MKBs, a manufacturer shall only order sufficient MKBs to cover anticipated recordable DVD media production for the 3-month period subsequent to the fulfillment of the order. In the event that production in the given 3 month period is lower than anticipated, no more than one (1) order (i.e. 1,500 MKBs) may be carried over for use in the next 3-month cycle.

MKBs for CPPM and CPRM must be ordered separately. In addition, each CPRM writable media type (RAM, RW and R) requires a separate MKB order.

2. Accounting for Media Unit Fees

CPRM for DVD Audio/Video

Upon execution of this Agreement and upon each successive anniversary date of execution of this Agreement, Adopter shall declare its anticipated "Annual Units to be Shipped". Adopter shall further file quarterly "Year To Date Units Shipped" reports no later than 45 days after the end of each quarter. Anticipated "Annual Units to be Shipped" can be adjusted at each such reporting period.

DVD Unit Fees for Devices

	Type A and B ¹ Device Keys	Type C Device Keys
CPRM Recorder (no Play function)	\$.05/device	\$10K/up to 1M copies per application version \$25K/up to 10M copies per application version \$50K cap per application version
CPRM/CPPM Player (no Record function)	\$.05/device	\$10K/up to 1M copies per application version \$25K/up to 10M copies per application version \$50K cap per application version
CPRM/CPPM Player/Recorder	\$.10/device	\$10K/up to 1M copies per application version \$25K/up to 10M copies per application version \$50K cap per application version

Order Fulfillment Fee: \$500/order. Orders shall be limited to a maximum of 400,000 Device Keys per order. Device Keys for each category of device identified in the above schedule must be ordered separately.

3. Accounting for Device Unit Fees

If Adopter elects to use Unique Device Keys, upon execution of this Agreement and on each successive anniversary date of execution of this Agreement, Adopter shall declare its anticipated "Annual Units to be Shipped".

Adopter shall further file quarterly "Year To Date Units Shipped" reports no later than 45 days after the end of each quarter. Anticipated "Annual Units to be Shipped" can be adjusted at each such quarterly reporting period. If Adopter elects Common Device Keys, Adopter shall declare the number of copies of an application it anticipates using the Common Device Keys in (i.e. up to 1M, up to 10M, or over 10M) and will be invoiced for the appropriate amount for the year.

Adopter shall file an "Actual Units Shipped" report no later than 45 days after the end of each quarter. If Adopter exceeds its anticipated number of copies sold based on the "Actual Units Shipped" reports, 4C will invoice the net difference in fees between Adopter's originally selected category and the category applicable to the actual units shipped by Adopter.

¹ Type A, B, and C device keys are defined in the Adopter Agreement.

EXHIBIT C

- C-1 CPPM COMPLIANCE RULES FOR DVD-AUDIO**
- C-2 COMPLIANCE RULES FOR RECORDING AND PLAYBACK OF AUDIO CONTENT**
- C-3a CPRM COMPLIANCE RULES FOR RECORDING AND PLAYBACK OF STANDARD DEFINITION VIDEO CONTENT**
- C-3b CPRM COMPLIANCE RULES FOR RECORDING AND PLAYBACK OF VIDEO CONTENT BY LIMITED RESOLUTION VIDEO RECORDERS**
- C-4 ROBUSTNESS RULES**

Exhibit
C-1

CPPM COMPLIANCE RULES FOR DVD-AUDIO

1. DEFINITIONS

Harmonization. Where a term is not defined in these Compliance Rules, the definitions in the Agreement shall apply

- 1.1 “Album TEXT” means optional information such as the Album name, the Group name and the Track name described in Audio Manager Information as specified in the DVD Audio Specifications.
- 1.2 "Authorized Access Control Method" means a method of delivery of content that is an Authorized Secure Digital Output or any other method of delivery of content by which content is rendered not viewable or accessible other than through a commercially adopted access control method (e.g., CSS, Digicypher, Harmony, DBS, or other digital access control technologies, digitally controlled analog scrambling systems, whether now or hereafter in commercial use) that a particular Participating Device is authorized to use.
- 1.3 “Audio Watermark” means the Verance-4C Audio Watermark as defined in the specification “4C 12 Bit Watermark Specification” published by 4C Entity, LLC.
- 1.4 “Audio Zone” means the data zone on a DVD-Audio disc as defined by the DVD Audio Specifications.
- 1.5 “Authorized Secure Digital Output” means a secure transmission output consisting of a Digital Transmission Content Protection (“DTCP”) protected digital output or another type of protected (approved by 4C Entity) digital output which is capable of securely supporting transmissions of Digital Audio Content and/or Related Content, provided that the DTCP protected digital output shall not be authorized for CPPM Protected Content until 4C issues a notice so authorizing this output.

“Copy Control Information” (“CCI”) means the information that represents the copy protection status of particular content to Participating Devices as defined by the applicable copy protection specification and these Compliance Rules.

“Commercial Entertainment Content” means audio, video, text and/or graphics works which are:

- (a) Not created by the user of a Recorder and
- (b) Transmitted or distributed, either generally or on demand, to subscribers or purchasers at large, not uniquely to an individual or a small, private group.

- 1.6 “Computer Monitor Output” means a connector for an analog or digital monitor typically found and associated with a Computer Product and which carries uncompressed analog and/or digital video signals. The term expressly includes those outputs known as VGA, SVGA, XGA, DVI, and various non-standardized digital monitor connections which have been implemented by manufacturers, and expressly does not include such typical consumer electronics connectors as NTSC, PAL, SECAM, SCART, YPrPb, S-Video and Consumer RGB, whether or not such connectors are found on any Computer Product.

“Computer Product” means a device which is designed or permits the end user to install software applications thereon, including, but not limited to, personal computers, handheld “Personal Digital Assistants,” and the like.

- 1.7 “Copy Freely” is a copy protection status that means that content, pursuant to the 4C 12 Bit Watermark Specification, has been encoded “Copying is permitted without restriction.” In such a case these Compliance Rules impose no requirements as to copying.
- 1.8 “Copy Never” is a copy protection status that means that content, pursuant to the 4C 12 Bit Watermark Specification, has been encoded as “No Copying Permitted” (“Copy Never”) indicating that it is not to be copied.
- 1.9 “Copy One Generation” is a copy protection status that means that content, pursuant to the 4C 12 Bit Watermark Specification, has been encoded as “Copy One Generation” indicating that only one generation of copies is to be made of it.

“CPPM Protected Content” means Commercial Entertainment Content that is encrypted and recorded using Content Protection for Pre-recorded Media (CPPM) specified by CPPM Technical Specifications [“DVD Book” and “Introduction and Common Cryptographic Elements”].

“DVD Audio Content” means Digital Audio Content which is prerecorded onto a DVD disc.

- 1.10 “DVD Audio Specifications” means the current version of the document entitled “DVD Specifications for Read-Only Disc Part 4 AUDIO SPECIFICATIONS published by DVD Forum.
- 1.11 “Hidden Track” means a Track in the Title Group which is accessible only through use of the unique access method specified in the DVD Audio Specifications.
- 1.12 “ISRC Information” means “International Standard Recording Code Information.” “ISRC Information” is the collective name of “ISRC data” and “ISRC status.” “ISRC data” is the ISRC portion out of “UPC EAN ISRC data.” Both “UPC EAN ISRC data” and “ISRC status” are defined in Table 7.2.3.1.1-2 RBP 1 and Table 7.2.3.1.2-2 RBP 1 of the DVD Audio Specifications.
- 1.13 “Legacy Digital Audio Output” means IEC-958, IEC-60958, IEC-61937 or USB Audio Device Class output. [Note that USB Audio Device Class output is defined by those USB specifications necessary for the output of audio to USB speakers, and that all other USB Device Class outputs (e.g. Communication Device Class, Mass Storage Class, etc.) are not included in this definition.]
- 1.14 “Legacy Media” means CD-R, CD-RW, Mini-Disc or DAT.
- 1.15 “Linear PCM” means audio encoding using Linear Pulse Code Modulation as specified in the DVD Audio Specifications.
- 1.16 “No More Copies” is a copy protection status that means that content, pursuant to the 4C 12 Bit Watermark Specification, has been encoded as “No More Copies,” indicating that it may have originated as “Copy One Generation” or “Qualified Copy One Generation”, but that the version being recorded is that one generation and that therefore no more copies are permitted.
- 1.17 “Packed PCM” means the lossless compression coding system for Linear PCM as specified in the DVD Audio Specifications.
- 1.18 “Participating Device” means a device or software application (or other software component) subject to a license from 4C that is a Compliant Product.

“Participating Listening Device” means a Participating Device which does not have a recording function and does not play media, but in all other respects has the same obligations as a Participating Player Device when processing the DVD Audio signal received through an Authorized Access Control Method.

- 1.19 “Participating Player Device” means a Participating Device or function of a Participating Device capable of playing back CPPM Protected Content.
- 1.20 “Participating Recording Device” means a Participating Device or function of a Participating Device capable of recording Commercial Entertainment Content using Content Protection for Recordable Media (CPRM).
- 1.21 “Qualified Copy One Generation” is a copy protection status that may be included in the 4C 12 Bit Watermark Specification which means that content contains an Audio Watermark encoded as “Qualified Copy One Generation”, indicating that only one generation of copies is to be made of it, and that in all cases such copies shall be encrypted using CPRM technology (or an equivalent technology approved by 4C) and the Audio Watermark shall be updated to “No More Copies” prior to the copy being made. *[Note: The details of this watermark state, and whether it will be incorporated into the 4C Compliance Rules, are currently under consideration and review.]*
- 1.22 “Related Content” means any one or more of the following: Still Picture, TEXT Information, or Visual Menu.
- 1.23 “Sound Quality Equivalent to CD-Audio or less” means a sound quality of 2-channels or less, no greater than 48KHz sample frequency, and no more than 16 bits per sample.
- 1.24 “Still Picture” means Audio Still Video (ASV) to be presented together with Audio data by Video Capable Audio Player as specified in the DVD Audio Specification.
- 1.25 “TEXT Information” means text style information including Album TEXT and Track TEXT information stored in the Audio Zone as specified in the DVD Audio Specification.
- 1.26 “Track TEXT” means text data stored synchronously with the Audio data as specified in the DVD Audio Specifications. Such data may contain text data such as lyrics, and liner notes.
- 1.27 “Video Zone” means the data zone on a DVD-Audio disc as defined by the DVD Audio Specifications.
- 1.28 “Visual Menu” means a video type menu for Audio Manager (AMG) stored in Audio Zone as specified in the DVD Audio Specification.

2. SCOPE

The compliance rules specified in this document are applicable to the encoding, playback and recording of Digital Audio Content and Related Content stored on pre-recorded DVD Audio discs using the CPPM copy protection technology. CPRM technology shall not be used to encode Digital Audio Content and Related Content stored on pre-recorded DVD Audio Discs.

3. ENCODING RULES FOR INDIVIDUAL PARAMETERS OF PRE-RECORDED DVD AUDIO DISC.

The following conditions shall be observed by Content Participants with respect to encoding individual parameters for the protection of content in the Audio Zone (e.g. DVD Audio Content, Still Picture, Visual Menu and Text Information) where the Content Participant desires to use CPPM technology for copy control purposes.

3.1 Encryption of Content in DVD Audio.

3.1.1 **Content Stored in the Audio Zone.** DVD Audio Content, Still Picture, and Visual Menu stored in the Audio Zone may be encrypted by CPPM. TEXT Information is always unencrypted.

3.1.2 **Content Stored in the Video Zone.** Copy protection for the Video Zone is not controlled by these Compliance Rules.

Control of Copy Permission. Copy protection for CPPM Protected Content shall be controlled by the following rules:

3.1.3 **DVD Audio Content.** Copy permission for DVD Audio Content shall be controlled by Digital CCI as specified in section 3.3 below.

3.1.4 **Still Picture.** Copy permission for Still Picture shall be controlled by CPPM encryption. If Still Picture is CPPM encrypted, the content shall not be copied.

3.1.5 **Visual Menu.** Visual Menu shall not be copied if it is CPPM encrypted.

3.2 **Digital CCI Configuration.** Digital Copy Control Information (“Digital CCI”) consists of the following four parameters: “Copy Permission” “Audio Quality”, “Related Content Copy Permission” and “Transaction”. Content Participant shall have the option of authorizing additional copies, enhanced sound quality copies, and copies of Related Content. Additional future flexibility is provided by means of the “Transaction” parameter in

connection with an electronic authorization. These four parameters of Digital CCI along with their corresponding allocation and assignment in the DVD Audio Specification comprise the configuration and are defined below:

3.2.1 Copy Permission Parameter (“C”). The Copy Permission Parameter (C) consists of 5 bits divided into two portions, “Audio Copy Permission” (2 bits), and “Audio Copy Number” (3 bits). The Copy Permission Parameter and “ISRC Information” (see section 3.5 below) are used to control the number of copies permitted per Participating Recording Device. Copy Permission Parameter (C) is changeable on a music track by music track basis for DVD Audio Content.

(i) Audio Copy Permission (2 bits). Audio Copy Permission shall be set as follows:

- “00b”: Copying is permitted without restriction (“Copy Freely”). If DVD Audio Content is CPPM encrypted, Audio Copy Permission shall not be set to “00b”.
- “10b”: Copying is permitted per the Audio Copy Number as specified in section 3.3.1 (ii) below.
- “01b”: Reserved and shall not be used until further notice.
- “11b”: No more copies are permitted (“No More Copies”). This state is defined for reference purposes only and shall not be used on pre-recorded products unless otherwise authorized by 4C.

(ii) Audio Copy Number (3 bits). Audio Copy Number specifies the number of permitted copies per Participating Recording Device, and is defined below only when Audio Copy Permission is set as “10b.” When Audio Copy Permission is set to any state other than “10b” (e.g. “00b”, “01b” or “11b”) the Audio Copy Number shall be set to “000b”. Under this circumstance, the Audio Copy Number has no meaning to Participating Player or Recording Devices.

- “000b”: Number of permitted copies per Participating Recording Device or other recording device which reads and responds to Digital CCI (“Compliant Recorder”) is “1”.
- “001b”: Number of permitted copies per Compliant Recorder is “2”.
- “010b”: Number of permitted copies per Compliant Recorder is “4”.

- “011b”: Number of permitted copies per Compliant Recorder is “6”.
- “100b”: Number of permitted copies per Compliant Recorder is “8”.
- “101b”: Number of permitted copies per Compliant Recorder is “10”.
- “110b”: Reserved and shall not be used until further notice.
- “111b”: “Copy One Generation.” The number of sequentially made copies per original prerecorded disc per Compliant Recorder is not restricted although serially made copies (copies of copies) by Compliant Recorders are prohibited.

If ISRC Information identifying a given music track pursuant to section 3.5 below is not provided, Participating Recording Devices will default to “Copy One Generation” status.

3.2.2 Audio Quality Parameter (“Q”). The Audio Quality Parameter (Q) consists of 2 bits and defines the number of channels (ch), sampling frequency (fs), and quantization bit level (Qb) of permitted copies. When Audio Copy Permission is set to “10b”, the Content Participant may optionally select any of the following settings. When Audio Copy Permission is set to any state other than “10b” (e.g. “00b”, “01b” or “11b”) the Audio Quality Parameter shall be set to “00b”. Under this circumstance, the Audio Copy Quality has no meaning to Participating Player or Recording Devices. Audio Quality Parameter (Q) is changeable on a music track by music track basis for DVD Audio Content.

- “00b”: Number of channels is two or less, sampling frequency is no greater than 48 kHz, and quantization bit level is no greater than 16 bits.
- “01b”: Number of channels is two or less, sampling frequency is not restricted, and quantization bit level is not restricted.
- “10b”: Number of channels is not restricted, sampling frequency is not restricted, and quantization bit level is not restricted.
- “11b”: Reserved and shall not be used until further notice.

3.2.3 Related Content Copy Permission Parameter (“R”). The “Related Content Copy Permission Parameter” is used to separately indicate the copy permission status of different types of

Related Content. Related Content of Still Pictures contains the individual “Related Content Copy Permission Parameter (R)” consisting of 1 bit. Since Visual Menu has no “Related Content Copy Permission Parameter”, copy permission for Visual Menus is indicated by CGMS setting as described in 3.3.5. The actual copy permission for Still Pictures and Visual Menu shall be controlled by the presence of encryption. If contents are encrypted, copying is not permitted. For Related Content of Still Pictures, the “R” parameter is set for indicating copy permission status as follows:

- “0b”: “Copy Freely.” Copying of Related Content is permitted without restriction.
- “1b”: “Copy Never.” No copying of Related Content is permitted.

Copying shall be controlled on a picture by picture basis for Still Pictures; and on an album basis for Visual Menu.

- 3.2.4 **Transaction Parameter (“T”).** The “Transaction Parameter (T)” consists of 1 bit and may be used along with a separate electronic authorization to permit copying of content within the Audio Zone. Participating Devices are not required to support the “Transaction Parameter” or electronic authorizations. Detailed specifications and requirements for use of the “Transaction Parameter” or “T” parameter are not yet defined.

- “0b”: Not present
- “1b”: Reserved and shall not be used until further notice

- 3.2.5 **Digital CCI Allocation and Assignment in the DVD Audio Specifications.** Digital CCI is allocated and assigned in the DVD Audio Specifications as follows:

(i) **Linear PCM Content.** For Linear PCM content, “C”, “Q” and “T” parameters of Digital CCI are defined in § 3.3.1, 3.3.2 and 3.3.4. Their allocation and assignment are specified in Table 7.2.3.1.1-2 RBP12 of the DVD Audio Specifications.

(ii) **Packed PCM Content.** For Packed PCM content, “C”, “Q” and “T” parameters of Digital CCI are defined in § 3.3.1, 3.3.2 and 3.3.4. Their allocation and assignment are specified in Table 7.2.3.1.2-2 RBP8 of the DVD Audio Specifications.

(iii) **Still Picture Content.** If Still Picture is encrypted the “R” parameter of Digital CCI shall be set to “1b” (Copy Never). If Still

Picture is not encrypted, the “R” parameter of Digital CCI shall be set to “0b” (Copy Freely). The allocation and assignment of the “R” parameter is specified in “ASV_Copy_Permission” of “ASV_SRP” in Table 6.1.2-1 RBP 0-1 of the DVD Audio Specifications.

(iv) **Visual Menu.** Visual Menu does not contain the “R” parameter of Digital CCI, and copy permission for Visual Menu is controlled by the presence of CPPM encryption. The allocation and assignment of CGMS-D setting is as follows: Table 3.6.4-2: CGMS-D Information field and Table 3.7.2-2: CGMS-D Information field of DVD Specifications for Read-Only Disc Part 2 FILE SYSTEM SPECIFICATIONS.

3.2.6 Digital CCI Default Settings. Each of the above Digital CCI parameters and components thereof shall have the following default settings. These default settings shall be used during content preparation in the event the Content Participant has not explicitly supplied the values:

Audio Copy Permission:	“10b”, Copying is permitted only per the “Audio Copy Number”
Audio Copy Number:	“000b”, Number of permitted copies per compliant recorder is ‘1’
Audio Quality:	“00b”, Number of channels is two or less sampling frequency is no greater than 48KHz and quantization bit level is no greater than 16 bits.
Related Content Copy Permission:	“1b”, No copying is permitted. <i>Note that this setting is applied to Related Content of “Still Picture” if present.</i>
CGMS setting for Visual Menu	“11”, “ Copy Never” This setting applies to Visual Menu if present
Transaction:	“0b”, Not present.

To achieve this default setting, DVD Audio Content, Still Pictures (if present) and Visual Menu (if present) shall be CPPM encrypted.

- 3.3 **Analog Protection System for Video Contents.** At the option of the Content Participant the Analog Protection System (“APS”) specified in the explanatory note of the DVD Video Specifications may be required for video content in the Audio Zone. When APS is set “On”, the analog video output from Participating Player Device is protected as described in the explanatory note of the DVD Video Specification.
- 3.3.1 **APS for Visual Menu.** If Visual Menu is CPPM encrypted, APS shall be turned on according to the APS bit settings supplied by the Content Participant. Their allocation and assignment are specified in Table 5.2.3.1.1-1 RBP 4-5 (“AMGM_APSTB”) of the DVD Audio Specifications.
- 3.3.2 **APS for Still Picture.** If any Still Pictures are CPPM encrypted, APS shall be turned on according to the APS bit settings supplied by the Content Participant on a picture by picture basis. Their allocation assignment are specified in Table 6.1.2-1 RBP 0 (“ASV APSTB”) of the DVD Audio Specifications.
- 3.4 **ISRC Information.** At the option of the Content Participant, ISRC may be used to facilitate counting the number of copies recorded of a given track. If ISRC Information is supplied by a Content Participant, it shall conform to the requirements specified in the DVD Audio Specifications. ISRC status flags shall be set on a music track by music track basis as specified in Table 7.2.3.1.1-2 RBP 1 and Table 7.2.3.1.2-2 RBP 1 of the DVD Audio Specifications.
- 3.5 **Audio Watermark CCI.** Content Participants may elect to embed the Audio Watermark in DVD Audio Content. If such a watermark is used it shall conform to the requirements of the 4C 12 Bit Watermark Specification published by 4C Entity, LLC. The 4C Watermark conveys CCI and other information, which can be used to indicate the copy protection status of the DVD Audio Content, and which can be detected when the audio signal is not encrypted. Note that if the 4C 12 Bit Watermark is not embedded in the audio signal certain protection mechanisms in Participating Devices will not function (this applies to both hardware and software implementations).
- 3.6 **Encoding Rule for 4C Audio Watermark.** If DVD Audio Content is encrypted, the CCI bits of the 4C Data Payload of the 4C Audio Watermark (when used) shall be set to “Copy One Generation” as specified in the 4C 12 Bit Watermark Specification. *[Note: Additional bit*

setting options (e.g., a setting for "Qualified Copy One Generation") are under consideration and may be authorized in the future.]

4. PLAYBACK AND OUTPUT CONTROL RULES FOR PARTICIPATING PLAYER DEVICES.

Participating Player Devices shall be constructed to comply with the following rules for playback control and output control.

4.1 Playback Control. Participating Player Devices shall be constructed to comply with the following rules for playback control:

4.1.1 Playback Control by Audio Watermark. Subject to the conditions described in 4.1.2 below, if the audio content is not on Legacy Media, is not encrypted, and the CCI bits of the Audio Watermark (if present) are set to any state other than "Copy Freely", the content on the media shall not be played.

4.1.2 Watermark Detector. Participating Player Devices constructed on or after January 1, 2001 shall respond to the Verance-4C Audio Watermark. With regard to detection that is not associated with remarking, the Audio Watermark detection obligation shall be considered to be fulfilled if it is conducted via examination of the content during at least two 15-second detection periods (or less if detection is securely completed earlier) – subsequent to the first 20 seconds of the track – during a given track.

4.1.3 Media Type Detection. For the purpose of the requirements in this provision, a "DVD Drive" is a DVD disc reader that is capable of operating as an internal or peripheral component of a Computer Product and that incorporates the authentication described in the specification entitled, "CSS Compatible DVD Drive Authentication for CPPM", and a "DVD Player" is a DVD disc reader that has the internal capability to play back content encrypted using CPPM and that does not incorporate the authentication described in the specification entitled, "CSS Compatible DVD Drive Authentication for CPPM." For the recordable media types that a particular DVD Player or DVD Drive is capable of playing back, either by design or by the compatibility of the media type with ROM media, DVD Players shall not play back CPPM Protected Content from recordable media, and DVD Drives shall refuse to perform authentication functions with respect to any CPPM Protected Content contained on recordable media, based on recognizing that the particular

media is recordable media using the following techniques. DVD-RAM media shall be recognized as different from ROM media based on its physical format differences. For DVD Drives and DVD Players manufactured on or after April 1, 2001, but prior to April 1, 2002, DVD-RW, and +RW media types shall be recognized as different from ROM media based on differences in media reflectivity as defined by the format specifications for those media types. For DVD Drives and DVD Players manufactured on or after April 1, 2002, DVD-R, DVD-RW and +RW media types shall be recognized as different from ROM media based on wobble detection as defined by the specifications applicable to each type of media.

4.1.4 Continuous Monitoring of CCI Information. For the purpose of securely transmitting Digital CCI and ISRC Information (if present in the DVD Audio Content) via an Authorized Secure Digital Output or where the transmission is occurring over an internal connection via a technology that meets the definition of an Authorized Secure Digital Output or a technology that meets the Robustness Rules with regard to internal transmissions of data during playback, Participating Player Devices shall monitor the Digital CCI and ISRC Information on DVD Audio discs with every sector interval or with intervals less than 100 sectors using randomized period (unpredictable period). (Regarding the sector, refer to “CPPM Specification DVD Book” issued by 4C Entity, LLC).

4.2 Output Control. Participating Player Devices shall be constructed to comply with the following rules for output control: These rules apply to protected content stored in the audio zone of pre-recorded DVD Audio discs encrypted with CPPM.

4.2.1 Permitted Outputs for Audio. Participating Player Devices shall output CPPM protected DVD Audio Content only to the following: (i) Authorized Secure Digital Outputs; (ii) Legacy Digital Audio Outputs of IEC-958, IEC-60958, IEC-61937, and USB Audio Device Class; or (iii) Analog outputs. The following restrictions shall apply for copy protection purposes:

(i) Authorized Secure Digital Outputs. Except as provided in section 4.2.1 (ii) below, all digital outputs shall be Authorized Secure Digital Outputs, and Digital CCI and ISRC Information (refer to section 3.5) shall be accurately transmitted. However, if such transmission is solely for a Participating Listening Device, Digital CCI and ISRC Information need not be transmitted. Sound quality of such secure outputs to Participating Recording Devices

shall comply with the requirements specified by the Audio Quality parameter (Q) of Digital CCI. Sound quality of such secure outputs to Participating Listening Devices is not restricted in any way by Digital CCI, and may be the same as that of the original DVD Audio recording. Note that content transmitted through an Authorized Secure Digital Output need not be limited to real-time transmission.

(ii) Legacy Digital Audio Outputs. (IEC-958, IEC-60958, IEC-61937, and USB Audio Device Class) Legacy Digital Audio Outputs from Participating Player Devices shall be limited to 1.5 times normal speed, unless the pitch is corrected to the pitch at normal speed. In addition, such outputs shall comply with the following requirements:

(a) Limitation on Sound Quality. Sound quality of Legacy Digital Audio Outputs when playing Linear PCM and Packed PCM streams shall be equivalent to CD Audio Quality or less.

(b) SCMS Status Setting. Participating Devices that are not operating as an internal, peripheral, or software component of a Computer Product shall ensure that Legacy Digital Audio Outputs which are capable of SCMS setting include SCMS information set at “Copy One Generation” permitted (i.e. “Cp-bit” and “Category Code” are set in the appropriate manner to indicate that the audio originates with a commercially available pre-recorded disc in which “copyright is asserted”, and a copy is permitted). Participating Devices shall not actively strip out or actively alter any SCMS information contained in the Digital Audio Content.

(c) IEC-958/60958 Sunset. Participating Player Devices constructed on or after October 1, 2005 shall not output DVD Audio Content originally protected using CPPM to IEC-958 or IEC-60958 outputs.

(iii) Analog Outputs. Analog outputs from Participating Player Devices shall be limited to 1.5 times normal speed, unless the pitch is corrected to the pitch at normal speed. Except for the requirement just described, sound quality of analog outputs is not restricted in any way by Digital CCI, and may be the same as that of the original DVD Audio recording.

4.2.2 Permitted Outputs for Related Content. Participating Player Devices shall output Related Content only to Authorized Secure Digital Outputs, Computer Monitor Outputs or analog outputs in accordance with the CPPM encryption status of the Related Content on the pre-recorded disc. The following additional restrictions and/or measures apply for copy protection purposes:

(i) **Authorized Secure Digital Outputs.** With the exception of Computer Monitor Outputs from Computer Products all digital outputs shall be encrypted or otherwise made secure by an approved method. If Related Content of Visual Menu and/or Still Pictures are CPPM encrypted on a DVD Audio disc, such Related Content shall not be transmitted to such secure outputs. However, Related Contents may be transmitted to a Participating Display Device via an Authorized Secure Digital Output solely for display purposes even if Related Contents are CPPM encrypted. Adopter is cautioned that 4C anticipates adopting one or more copy protection methods for Computer Monitor Outputs and/or potential future resolution limits for non-protected Computer Monitor Outputs. Use of such methods may become a requirement for some content formats.

(ii) **Analog Output Protection System for Video Contents.** At the option of the Content Participant the Analog Protection System ("APS") specified in the explanatory note to the DVD-Video Specifications may be required for video content in the Audio Zone. When APS is set "On", the analog video output from Participating Player Device is protected as described in the explanatory note to the DVD Video Specifications.

4.3 Resolution of Potential Conflicts. In the event a conflict arises between behavior intended by the DVD Audio Specifications and that implied by Digital CCI, Participating Player Devices shall follow the following rules:

4.3.1 Handling of "Hidden" Content. All content (including Related Content, but excluding TEXT Information) associated with a Hidden Audio Track shall not be copied unless the Hidden Audio Track is "opened" by the Participating Player Device. (Refer to 3.2.2 Group and E.35 Hidden Group Play, E.36 Hidden Track Play and E.37 Hidden Time Play of Annex E in the DVD Audio Specifications.)

5. RULES FOR COPYING VIA INTERNAL CONNECTIONS TO RECORDERS INCLUDED WITHIN PARTICIPATING PLAYER DEVICES

Participating Player Devices shall be constructed to comply with the following additional rules regarding content that is played back and redirected internally to a recorder included within the same device. Note that these CPPM Compliance Rules impose no requirements regarding content received through external device inputs.

- 5.1 **CPRM Copies of CPPM Protected Content.** Participating Player Devices shall comply with the following rule when making a copy of CPPM Protected Content via an internal connection to a Participating Recording Device included within the same device. When such content is received by such Participating Recording Device via internal connection by means other than where the transmission is occurring over an internal connection via a technology that meets the definition of an Authorized Secure Digital Output or a technology that meets the Robustness Rules with regard to internal transmission of data which securely transmit Digital CCI and ISRC Information (if present in the DVD Audio Content), the Participating Player Devices shall ensure that the CPRM copy is made only at a rate not to exceed 1.5 times normal speed.
- 5.2 **Other Copies of CPPM Protected DVD-Audio Content.** Participating Player Devices shall comply with the following rules when making unencrypted copies of CPPM protected DVD Audio Content via an internal connection to a recorder (other than a Participating Recording Device) included within the same device:
 - 5.2.1 **Watermark Screening.** Subject to the conditions described previously in 4.1.2, Participating Player Devices shall detect the Audio Watermark, if present, in the original CPPM protected DVD-Audio Content, and until such time as a “Qualified Copy One Generation” Audio Watermark is adopted, shall make such an unencrypted copy via internal connection only onto Legacy Media and only if the watermark is not present. At such time (if ever) that a “Qualified Copy One Generation” Audio Watermark is adopted, Participating Player Devices shall make such an unencrypted copy via internal connection only onto Legacy Media and only if the watermark is encoded “Copy One Generation” or is not present. [Note: As this implies, such an unencrypted copy via internal connection is not authorized if the Audio Watermark is encoded with the “No More Copies” state or the proposed new “Qualified Copy One Generation” state.]
 - 5.2.2 **Copy Rate and Quality.** Participating Player Devices shall make such unencrypted copies via internal connection only at a rate not to exceed 1.5 times normal speed, and at a Sound Quality Equivalent to CD Audio or less.

- 5.2.3 **Watermark Updating.** Participating Player Devices shall update the “Copy One Generation” Audio Watermark, if present, to the “No More Copies” state prior to making such an unencrypted copy via internal connection.
- 5.3 **CD-Audio Content.** Participating Player Devices shall comply with the following rules when making a copy of CD-Audio content via an internal connection to a recorder (other than a Participating Recording Device) included within the same device.
- 5.3.1 **Watermark Screening.** Subject to the conditions described previously in Section 4.1.2, Participating Player Devices constructed on or after March 31, 2002 shall detect the Audio Watermark if present in the CD-Audio content being read from CD media, and shall not make such a copy via internal connection if the watermark is encoded “No More Copies”.
- 5.3.2 **Watermark Updating.** Participating Player Devices constructed on or after October 1, 2004 shall update the “Copy One Generation” Audio Watermark, if present, to the “No More Copies” state prior to making such a copy via internal connection, subject to the following conditions:
- (1) Participating Player Devices shall update the Audio Watermark, if present, to the “No More Copies” state prior to making such a copy via internal connection at the same time as it incorporates the capability of updating the Audio Watermark when making a copy of CPPM Protected Content onto Legacy Media via internal connections (as provided in Section 5.1, above), without regard to any of the further conditions described below and without regard to the October 1, 2004 date, above, if the CPPM-related capability is incorporated prior to that date;
- (2) if, on April 1, 2003, releases of music titles in the DVD Audio format are not a substantial part of the prerecorded, packaged music market in the United States, then Licensor will notify Adopters that compliance with the requirement stated above is delayed until further notice. Thereafter, on the first day of each calendar quarter, Licensor will determine whether releases of music titles in the DVD Audio format are a substantial part of the prerecorded, packaged media market in the United States and, on the first such date that such releases meet this test, notify licensees that compliance with the above stated requirement is effective eighteen months from the date on which this determination is made. For purposes of this section, releases of music titles in the DVD Audio format shall be considered to be a substantial part of

the prerecorded, packaged media music market in the United States if 50% or more of the music titles from Major Labels appearing on the Billboard 200 chart, during the two-month period ending just prior to the date on which the determination as to substantiality is made, have been released in the DVD Audio format.

Exhibit
C-2

CPRM COMPLIANCE RULES

**COMPLIANCE RULES FOR RECORDING AND PLAYBACK OF AUDIO
CONTENT**

1. DEFINITIONS

Harmonization. Where a term is not defined in these Compliance Rules, the definitions in the Agreement shall apply

- 1.1 "Authorized Access Control Method" means a method of delivery of content that is an Authorized Secure Digital Output or any other method of delivery of content by which content is rendered not viewable or accessible other than through a commercially adopted access control method (e.g., CSS, Digicypher, Harmony, DBS, or other digital access control technologies, digitally controlled analog scrambling systems, whether now or hereafter in commercial use) that a particular Participating Device is authorized to use.
- 1.2 "Audio Watermark" means the Verance-4C Audio Watermark as defined in the specification "4C 12 Bit Watermark Specification" published by 4C Entity, LLC.
- 1.3 "Authorized Copy" means a copy made by a Participating Recorder in compliance with the Copy Control Information ("CCI") set by the Content Participant. Authorized Copy includes an unencrypted authorized copy on Legacy Media with a Sound Quality Equivalent to CD Audio or less.
- 1.4 "Authorized Secure Digital Output" means a secure transmission output consisting of a Digital Transmission Copy Protection ("DTCP") protected digital output or another type of protected (approved by 4C Entity) digital output which is capable of securely supporting transmissions of Digital Audio Content and/or Related Content, provided that the DTCP protected digital output shall not be authorized for CPRM Protected Content until 4C issues a notice so authorizing this output.
- 1.5 "Copy Control Information" ("CCI") means the information that represents the copy protection status of particular content to Participating Devices as defined by the applicable copy protection specification and these Compliance Rules.

- 1.6 “Commercial Entertainment Content” means audio, video, text and/or graphics works which are:
- (a) Not created by the user of a recorder and
 - (b) Transmitted or distributed, either generally or on demand, to subscribers or purchasers at large, not uniquely to an individual or a small, private group.
- 1.7 “Computer Monitor Output” means a connector for an analog or digital monitor typically found and associated with a Computer Product and which carries uncompressed analog and/or digital video signals. The term expressly includes those outputs known as VGA, SVGA, XGA, DVI, and various non-standardized digital monitor connections which have been implemented by manufacturers, and expressly does not include such typical consumer electronics connectors as NTSC, PAL, SECAM, SCART, YPrPb, S-Video and Consumer RGB, whether or not such connectors are found on any Computer Product.
- 1.8 “Computer Product” means a device which is designed or permits the end user to install software applications thereon, including, but not limited to, personal computers, handheld “Personal Digital Assistants,” and the like.
- 1.9 “Copy Freely” is a copy protection status that means that content, pursuant to the 4C 12 Bit Watermark Specification, has been encoded “Copying is permitted without restriction.” In such a case these Compliance Rules impose no requirements as to copying.
- 1.10 “Copy Never” is a copy protection status that means that content, pursuant to the 4C 12 Bit Watermark Specification, has been encoded as “No Copying Permitted” (“Copy Never”) indicating that it is not to be copied.
- 1.11 “Copy One Generation” is a copy protection status that means that content, pursuant to the 4C 12 Bit Watermark Specification, has been encoded as “Copy One Generation” indicating that only one generation of copies is to be made of it.
- 1.12 “CPRM Protected Content” means Commercial Entertainment Content that is encrypted and recorded using Content Protection for Recordable Media (CPRM) specified by CPRM Technical Specifications [“DVD Book” and “Introduction and Common Cryptographic Elements”].
- 1.13 “CPRM Restricted Device” means a Participating Device that is compliant with the SDMI PD Specification Version 1.0 as amended, and which utilizes the exemptions noted for CPRM Restricted Devices in these Compliance Rules. Only the following are permitted to be CPRM Restricted Devices: (a) Product functions that implement the technical

specification “CPRM Specification SD Memory Card Book” published by 4C Entity, LLC; or (b) others to be determined by the 4C. Note: Because CPRM Restricted Devices utilize exemptions to the requirements of updating the Audio Watermark, these devices are restricted from copying content containing the “Qualified Copy One Generation” Audio Watermark (see Section 3 of this Exhibit).

- 1.14 “DVD Audio Content” means Digital Audio Content which is prerecorded onto a DVD disc.
- 1.15 “DVD Audio Specifications” means the current version of the document entitled “DVD Specifications for Read-Only Disc Part 4 AUDIO SPECIFICATIONS” published by DVD Forum.
- 1.16 “Hidden Track” means a Track in the Title Group which is accessible only through use of the unique access method specified in the DVD Audio Specifications.
- 1.17 “ISRC Information” means International Standard Recording Code Information”. ISRC Information” is the collective name of “ISRC data” and “ISRC status”. “ISRC data” is the ISRC portion out of “UPC EAN ISRC data”. Both “UPC EAN ISRC data” and “ISRC status” are defined in Table 7.2.3.1.1-2 RBP 1 and Table 7.2.3.1.2-2 RBP 1 of the DVD Audio Specifications.
- 1.18 “Legacy Digital Audio Output” means IEC-958, IEC-60958, IEC-61937 or USB Audio Device Class output. [Note that USB Audio Device Class output is defined by those USB specifications necessary for the output of audio to USB speakers, and that all other USB Device Class outputs (e.g. Communication Device Class, Mass Storage Class, etc.) are not included in this definition.]
- 1.19 “Legacy Media” means CD-R, CD-RW, Mini-Disc or DAT.
- 1.20 “Linear PCM” means audio encoding using Linear Pulse Code Modulation as specified in the DVD Audio Specifications.
- 1.21 “Media Key Block (MKB)” means the block of encrypted keys which is defined by technical specification of “CPRM Specification: Introduction and Common Cryptographic Elements” published by 4C Entity, LLC.
- 1.22 “No More Copies” is a copy protection status that means that content, pursuant to the 4C 12 Bit Watermark Specification, has been encoded as “No More Copies,” indicating that it may have originated as “Copy One Generation” or “Qualified Copy One Generation”, but that the version

being recorded is that one generation and that therefore no more copies are permitted.

- 1.23 “Packed PCM” means the lossless compression coding system for Linear PCM as specified in the DVD Audio Specifications.
- 1.24 “Participating Device” means a device or software application (or other software component) subject to a license from 4C that is a Compliant Product.
- 1.25 “Participating Listening Device” means a Participating Device which does not have a recording function and does not play media, but in all other respects has the same obligations as a Participating Player Device when processing the Digital Audio Content received through an Authorized Access Control Method.
- 1.26 “Participating Player Device” means a Participating Device or function of a Participating Device capable of playing back CPRM Protected Content.
- 1.27 “Participating Recording Device” means a Participating Device or function of a Participating Device capable of recording Commercial Entertainment Content using Content Protection for Recordable Media (CPRM).
- 1.28 “Qualified Copy One Generation” is a copy protection status that may be included in the 4C 12 Bit Watermark Specification, which means that content, pursuant to the Specification, contains an Audio Watermark encoded as “Qualified Copy One Generation”, indicating that only one generation of copies is to be made of it, and that in all cases such copies shall be encrypted using CPRM technology (or an equivalent technology approved by 4C) and the Audio Watermark shall be updated to “No More Copies” prior to the copy being made. *[Note: The details of the watermark state, and whether it will be incorporated in the 4C Compliance Rules are currently under consideration and review.]*
- 1.29 “Related Content” means any one or more of the following: Still Picture, TEXT Information, or Visual Menu.
- 1.30 “Sound Quality Equivalent to CD-Audio or less” means a sound quality of 2-channels or less, no greater than 48KHz sample frequency, and no more than 16 bits per sample.
- 1.31 “Still Picture” means Audio Still Video (ASV) to be presented together with Audio data by Video Capable Audio Player as specified in the DVD Audio Specification.

- 1.32 “TEXT Information” means text style information including Album TEXT and Track TEXT information stored in the Audio Zone as specified in the DVD Audio Specification.
- 1.33 “Visual Menu” means a video type menu for Audio Manager (AMG) stored in the Audio Zone as specified in the DVD Audio Specification.

2. REQUIREMENTS FOR RECORDABLE MEDIA.

The Compliance Rules specified in this section are applicable to the recording and playback of content to and from supported media.

2.1 **Encryption of Content.** CPRM technology shall be used to encrypt content only in accordance with the Specification. It shall not be used to encrypt Prerecorded DVD Audio Discs.

2.2 **Updating Media Key Block (MKB).** Adopter shall update MKBs on a regular basis as indicated in section 2.2(a) and (b) below. 4C reserves the right to change the required frequency of updates and number of units of media into which an MKB may be incorporated as relevant changes in environmental conditions, including but not limited to security concerns, changes in manufacturing processes, or production volumes warrant.

- (a) **Recordable DVD Media.** The number of pieces of media containing a given MKB shall not exceed 1,000,000. If expiration occurs, Adopter will be notified by 4C. Beginning 3 months thereafter, no more than 1,000,000 pieces of media may be manufactured using MKBs without the new expiration information.
- (b) **SD Card.** The number of pieces of media containing a given MKB shall not exceed 100,000. If expiration occurs, Adopter will be notified by 4C. Beginning 1 month thereafter, no more than 100,000 pieces of media may be manufactured using MKBs without the new expiration information.

3. REQUIREMENTS FOR CONTENT HANDLING BY PARTICIPATING RECORDING DEVICES.

The following requirements apply to a Participating Recording Device with respect to its ability to record Commercial Entertainment Content and with respect to the design and architecture of the portions and operation of such Participating Recording Device when handling such Commercial Entertainment Content.

- 3.1 **Permitted Copies.** Participating Recording Devices may record all content except content whose Copy Control Information indicates that copying is to be restricted or prohibited in certain circumstances, in which case, the following rules shall be applied.

3.1.1 **Content Received Via Authorized Access Control Methods:**

When content is received by a Participating Recording Device by means of an Authorized Access Control Method which securely transmits Digital Copy Control Information (Digital CCI) and possibly ISRC Information any permitted copy of such content shall be encrypted using CPRM except as provided in 3.1.1 (b) below: The following rules shall also apply with regard to recording of such content:

- a) Such Digital CCI or ISRC Information shall be used to determine copy permission when a CPRM protected copy is made. For DVD Audio Content, the ISRC Information along with Digital CCI (specifically Audio Copy Number bits) shall be used to control the number of copies per a Recording Device. CPRM Restricted Devices are not permitted to make copies of DVD Audio Content received via such an Authorized Access Control Method, unless (x) such copies are authorized by the Digital CCI, and (y) for Digital CCI states other than “Copy Freely”, the content is first directed through a watermark screen, in which case the copy may be made only according to the specification of the Audio Watermark, if present, and according to the provisions of Section 3.1.2 (a) to (c) below, with the further restriction that until such time as a “Qualified Copy One Generation” Audio Watermark is adopted, such copy shall only be made if the watermark is encoded “Copy Freely” or is not present. [Notes: (1) Further requirements on the storage and management of ISRC Information will be provided. (2) content delivered by commercial secure electronic delivery services might have the Audio Watermark set to No More Copies by the provider of the content. Such content received via an Authorized Access Control Method is permitted to be copied according to the

setting of the Digital CCI as described in the above provision, without regard to the setting of the Audio Watermark.]

- b) An unencrypted Authorized Copy of DVD Audio Content onto Legacy Media is permitted provided the content is directed through a watermark screen and according to the specification of the Audio Watermark, if present, and according to the provisions of Section 3.1.2 (a) to (d) below.

3.1.2 Content Received Via Methods Other Than an Authorized Access Control Method: Participating Recording Devices may record content received via methods other than Authorized Access Control Methods that securely transmit Digital Copy Control Information, only when such content is directed through a watermark screen which accepts or rejects content according to the specification of the Audio Watermark, if present, and according to the following:

- a) If the status of the Audio Watermark is set to Qualified Copy One Generation, only a copy using CPRM at CD-Audio quality or less is permitted. Note, CPRM Restricted Devices are not permitted to make such copies because by this Exhibit they do not include remarking.
- b) If the status of the Audio Watermark is set to Copy One Generation, an Authorized Copy using CPRM or an unencrypted copy onto Legacy Media, at CD-Audio quality or less is permitted.
- c) If the status of the Audio Watermark is set to Copy Freely or if the Audio Watermark is not present, these Compliance Rules impose no requirements as to copying.
- d) If the status of the Audio Watermark is set to No More Copies, no copy shall be made.

3.2 Copy Control Information Updating. When a Participating Recording Device makes a permitted copy, the CCI of the Audio Watermark, if present, shall be updated (if necessary) to reflect that a copy is being made. Additionally, when content is recorded using CPRM, Copy Control Information, if present in digital form shall be updated according to the CCI's specification to reflect the fact that a copy is being made. As an example, content marked "Copy One Generation" would be recorded with all forms of Copy Control Information (e.g. Digital CCI and, for Participating Devices that are not operating as an internal, peripheral, or software component of a Computer Product, SCMS) incremented to "No More Copies." As an additional example, where the number of permitted copies of

DVD Audio Content delivered by an Authorized Access Control Method is limited to other than “Copy One Generation”, the Participating Recording Device shall employ the means required by the Specification to constrain the number of copies made in accordance with the Audio Copy Number as defined in section 3.3.1 (ii) of Exhibit B-1 “CPPM COMPLIANCE RULES FOR DVD-AUDIO.” When content received by the Participating Recording Device does not contain an Audio Watermark and has not been delivered by an Authorized Access Control Method, the digital Copy Control Information may be set as “No More Copies” or “Copy Freely”.

3.2.1 CPRM Restricted Devices. With regard to updating CCI of the Audio Watermark, Section 3.2 above does not apply to CPRM Restricted Devices.

4. PLAYBACK AND OUTPUT CONTROL RULES FOR PARTICIPATING DEVICES

Participating Player Devices shall be constructed to comply with the following rules for playback control and output control.

4.1. Playback Control. Participating Player Devices shall be constructed to comply with the following rules for playback control:

4.1.1. Playback Control by Audio Watermark. Subject to the conditions described in 4.1.2 below, if the audio content is not on Legacy Media, is not encrypted, and the CCI bits of the Audio Watermark (if present) are set to any state other than “Copy Freely”, the content on the media shall not be played.

4.1.2. Watermark Detector. Participating Player Devices constructed on or after January 1, 2001 shall respond to the Verance-4C Audio Watermark. With regard to detection that is not associated with remarking, the Audio Watermark detection obligation shall be considered to be fulfilled if it is conducted via examination of the content during at least two 15-second detection periods (or less if detection is securely completed earlier) – subsequent to the first 20 seconds of the track – during a given track.

4.2. Output Control. These rules apply to CPRM Protected Content. Participating Player Devices shall be constructed to detect and accurately respond to the copy permission information (Digital CCI and/or CGMS) for content encrypted with CPRM, and comply with the rules in Sections 4.2.1 and 4.2.2 below for output control. Specifications and requirements for Digital CCI referenced below are set forth in section 3.3 of Exhibit B-1 of “CPPM COMPLIANCE RULES FOR DVD AUDIO.” Participating Player Devices are not required to support the

“Transaction” parameter (T) or electronic authorizations. **Note: Recording format specification for including CCI for DVD Audio recording media has not been defined as yet.**

4.2.1. Permitted Outputs for Audio. Participating Player Devices shall output CPRM Protected Content of audio only to the following: (i) Authorized Secure Digital Outputs; (ii) Legacy Digital Audio Outputs of IEC-958, IEC-60958, IEC-61937, and USB Audio Device Class; or (iii) Analog outputs. The following restrictions shall apply for copy protection purposes:

(i) Authorized Secure Digital Outputs. Except as provided in section 4.2.1 (ii) below, all digital outputs shall be Authorized Secure Digital Outputs, and Digital CCI and ISRC Information if present shall be accurately transmitted. However, if such transmission is solely for a Participating Listening Device, Digital CCI and ISRC Information need not be transmitted. If the Digital CCI is set to No More Copies such secure output to a recording device shall not be permitted. For all other cases of Digital CCI, which might arise from media recorded using the DVD Audio transaction “T” parameter the sound quality of such secure outputs to Participating Recording Devices shall comply with the requirements specified by the Audio Quality parameter (Q) of Digital CCI. Irrespective of Digital CCI sound quality of such secure outputs to Participating Listening Devices is not restricted in any way by Digital CCI, and may be the same as that of the original audio recording. Content transmitted through an Authorized Secure Digital Output need not be limited to real-time transmission.

(ii) Legacy Digital Audio Outputs. (IEC-958, IEC-60958, IEC-61937, and USB Audio) Legacy Digital Audio Outputs from Participating Player Devices shall be limited to 1.5 times normal speed, unless the pitch is corrected to the pitch at normal speed. In addition, such outputs shall comply with the following requirements:

(a) Limitation on Sound Quality. Sound quality of Legacy Digital Audio Outputs when playing Linear PCM and Packed PCM streams shall be equivalent to CD Audio Quality or less.

(b) SCMS Status Setting. Participating Devices that are not operating as software on, or an internal or peripheral component of, a Computer Product shall ensure that Legacy Digital Audio Outputs which are

capable of SCMS setting include SCMS information set to prevent copying (i.e. “Cp-bit” and “Category Code” are set in the appropriate manner to indicate that the audio originates with a commercially available pre-recorded disc in which “copyright is asserted”, and no further copy is permitted). Participating Devices shall not actively strip out or actively alter any SCMS information contained in the Digital Audio Content.

(c) IEC-958/60958 Sunset. Participating Player Devices constructed on or after October 1, 2005 shall not output content that was previously protected using CPRM to IEC-958 or IEC-60958 outputs.

(iii) Analog Outputs. Analog outputs from Participating Player Devices shall be limited to 1.5 times normal speed, unless the pitch is corrected to the pitch at normal speed. Except for the requirement just described, sound quality of analog outputs is not restricted in any way by Digital CCI, and may be the same as that of the original DVD Audio recording.

4.2.2. Permitted Outputs for Related Content. Participating Player Devices shall output Related Content only to Authorized Secure Digital Outputs, Computer Monitor Outputs or analog outputs in accordance with the copy permission status of the Related Content. The following additional restrictions and/or measures apply for copy protection purposes:

(i) Authorized Secure Digital Outputs. With the exception of Computer Monitor Outputs from Computer Products all digital outputs shall be encrypted or otherwise made secure by an approved method. If Related Contents are CPRM encrypted and encoded as “Copy Never,” such Related Contents shall not be transmitted to such secure outputs. However, Related Contents may be transmitted to a Participating Display Device via an Authorized Secure Digital Output for display purposes only, even if Related Contents are CPRM encrypted and encoded as “Copy Never.” Adopter is cautioned that 4C anticipates adopting one or more copy protection methods for Computer Monitor Outputs and/or potential future resolution limits for non-protected Computer Monitor Output. Use of such methods may become a requirement for some content formats.

(ii) Analog Output Protection System for Video Contents. At the option of the Content Participant the Analog Protection System (“APS”) specified in the explanatory note to the DVD-Video Specifications may be required for video content in the audio zone. When APS is set “On”, the analog video output from Participating Player Device is protected as

described in the explanatory note to the DVD Video Specifications.
[Note: this section is only needed to support CPRM discs recorded using the DVD Audio “T” parameter.]

4.3. Resolution of Potential Conflicts. In the event a conflict arises between behavior intended by the DVD Audio Specifications and that implied by Digital CCI, Participating Player Devices shall follow the following rules:

4.3.1. Handling of “Hidden” Content. Content (including Related Content, but excluding Album TEXT) associated with a Hidden Audio Track shall not be copied unless the Hidden Audio Track is “opened” by the Participating Player Device. (Refer to 3.2.2 Group and E.35 Hidden Group Play, E.36 Hidden Track Play and E.37 Hidden Time Play of Annex E in the DVD Audio Specifications.) [Note: This section is only needed to support CPRM discs recorded using the DVD-Audio “T” parameter.]

5. PLAYBACK AND OUTPUT CONTROL RULES FOR PLAYBACK OF CPRM RESTRICTED DEVICES

With respect to playback and output of audio, the requirements of Section 4 above do not apply to CPRM Restricted Devices. Such devices shall meet the requirements of SDMI PD Specification Version 1.0, Part 1 as amended.

6. RULES FOR COPYING VIA INTERNAL CONNECTIONS TO RECORDERS INCLUDED WITHIN PARTICIPATING PLAYER DEVICES

Participating Player Devices shall be constructed to comply with the following additional rules regarding content that is played back and redirected internally to a recorder included within the same device. If such internal connection is to a CPRM Participating Recording Device, Section 3 above shall apply to such device unless otherwise indicated below.

6.1. CPRM Protected Digital Audio Content. For CPRM Protected Content with digital CCI set to “Copy Freely”, these Compliance Rules impose no requirements as to copying. For such content with other digital CCI settings that permit copying (such as might arise from media recorded using the DVD Audio transaction “T” parameter), the rules of this Section 6.1 and its subsections apply. Participating Player Devices shall comply with the following rules when making unencrypted copies of CPRM protected Digital Audio Content via an internal connection to a recorder (other than a Participating Recording Device) included within the same device:

- 6.1.1. **Watermark Screening.** Subject to the conditions described previously in 4.1.2, Participating Player Devices shall detect the Audio Watermark, if present, in the original CPRM protected Digital Audio Content, and until such time as a “Qualified Copy One Generation” Audio Watermark is adopted, shall make such an unencrypted copy via internal connection only onto Legacy Media and only if the watermark is not present. At such time (if ever) that a “Qualified Copy One Generation” Audio Watermark is adopted, Participating Player Devices shall make such an unencrypted copy via internal connection only onto Legacy Media and only if the watermark is encoded “Copy One Generation” or is not present. [Note: As this implies, such an unencrypted copy via internal connection is not authorized if the Audio Watermark is encoded with the “No More Copies” state or with the proposed new “Qualified Copy One Generation” state.]
- 6.1.2. **Copy Rate and Quality.** Participating Player Devices shall make such unencrypted copies via internal connection only at a rate not to exceed 1.5 times normal speed, and at a Sound Quality Equivalent to CD Audio or less.
- 6.1.3. **Watermark Updating.** Participating Player Devices shall update the “Copy One Generation” Audio Watermark, if present, to the “No More Copies” state prior to making such an unencrypted copy via internal connection.
- 6.2. **CD-Audio Content.** Participating Player Devices shall comply with the following rules when making a copy of CD-Audio content via an internal connection to a recorder (other than a Participating Recording Device) included within the same device.
 - 6.2.1. **Watermark Screening.** Subject to the conditions described previously in Section 4.1.2, Participating Player Devices constructed on or after March 31, 2002 shall detect the Audio Watermark if present in the CD-Audio content being read from CD media, and shall not make such a copy via internal connection if the watermark is encoded “No More Copies”.
 - 6.2.2. **Watermark Updating.** Participating Player Devices constructed on or after October 1, 2004 shall update the “Copy One Generation” Audio Watermark, if present, to the “No More Copies” state prior to making such a copy via internal connection, subject to the following conditions:
 - (1) Participating Player Devices shall update the Audio Watermark, if present, to the “No More Copies” state prior to making such a copy via internal connection at the same time as it incorporates the capability of updating the Audio Watermark when making a copy of CPRM protected content onto Legacy Media via internal connections (as provided in Section 5.1, above), without regard to any of the further conditions described below and without regard to the October 1, 2004 date, above, if

the CPRM-related capability is incorporated prior to that date;
(2) if, on April 1, 2003, releases of music titles in the DVD Audio format are not a substantial part of the prerecorded, packaged music market in the United States, then Licensor will notify Adopters that compliance with the requirement stated above is delayed until further notice. Thereafter, on the first day of each calendar quarter, Licensor will determine whether releases of music titles in the DVD Audio format are a substantial part of the prerecorded, packaged media market in the United States and, on the first such date that such releases meet this test, notify licensees that compliance with the above stated requirement is effective eighteen months from the date on which this determination is made. For purposes of this section, releases of music titles in the DVD Audio format shall be considered to be a substantial part of the prerecorded, packaged media music market in the United States if 50% or more of the music titles from Major Labels appearing on the Billboard 200 chart, during the two-month period ending just prior to the date on which the determination as to substantiality is made, have been released in the DVD Audio format.

7. RULES FOR PARTICIPATING RECORDING DEVICES COMBINING CPRM AUDIO AND CPRM VIDEO RECORDING FUNCTIONS

Participating Recording Devices that incorporate both CPRM audio and CPRM video recording functions shall be subject to the following rules. Content received by the Participating Device through an insecure input to the CPRM video recording function of such device shall be subject to the screening requirements of Section 3.1.2, above, and shall update the Audio Watermark in accordance with the requirements of Section 3.2, above. Authorized copies of content that is found to contain the Audio Watermark in any state other than "Copy Freely" shall be made only in CPRM encrypted form.

Exhibit
C-3a

**CPRM COMPLIANCE RULES FOR
RECORDING AND PLAYBACK OF STANDARD DEFINITION VIDEO
CONTENT**

**ADOPTERS ARE NOTIFIED THAT THESE RULES, WHILE FINAL, ARE
SUBJECT TO FURTHER MODIFICATION BASED ON SUBSEQUENT
DEVELOPMENTS AND ON INPUT FROM ADOPTERS AND CONTENT
COMPANIES**

1. DEFINITIONS

Harmonization. Where a capitalized term is used but not otherwise defined in this Exhibit C-3a, the meaning ascribed thereto elsewhere in the Agreement or the Specifications shall apply.

- 1.1 “APS trigger bits” means the Analog Protection System bits as specified (a) for NTSC video signals, in IEC 61880 (for inclusion of such value on Line 20) or EIA-608-B (for inclusion of such value on Line 21) or (b) for YUV (525/60 systems) signals, in IEC 61880 (for inclusion of such value on Line 20) or EIA-608-B (for inclusion of such value on Line 21).
- 1.2 “Authorized Recording Method” means (a) CPRM, (b) D-VHS or (c) another type of digital recording method approved by 4C that is capable of securely recording Digital Video Content.
- 1.3 “Authorized Secure Digital Output” means (a) a Digital Transmission Content Protection (“DTCP”) protected output, (b) a High-Bandwidth Digital Content Protection (“HDCP”) protected output, or (c) another type of protected digital output approved by 4C that is capable of securely supporting transmissions of Digital Video Content.
- 1.4 “Automatic Gain Control Copy Control System (AGCCCS)” means the so-named copy control system as specified (a) for NTSC, PAL, SECAM or YUV analog video signals, in the document entitled “Specification of the Macrovision Copy Protection Process for DVD Products, Revision 7.1.D1, September 30, 1999,” and (b) for a 480p progressive scan analog video signal, in the document entitled “Specification of the Macrovision AGC Copy Protection Waveforms for Products with 525p and/or 625p YPbPr Progressive Scan Outputs, Revision 1.2 (February 24, 2003).”

- 1.5 “Bound Recording Method” means a method for recording content that effectively and uniquely associates such recording with a single Participating Video Player (using a cryptographic protocol or other effective means) so that such recording cannot be accessed in usable form by another product except where the content of such recording is passed to another product as permitted under this Exhibit C-3a.
- 1.6 “CGMS-A” means the Copy Generation Management System (Analog) as specified (a) for NTSC analog video signals, in IEC 61880 (for inclusion on Line 20) or in EIA-608-B (for inclusion on Line 21), (b) for PAL, SECAM or YUV analog video signals, in IEC 61880 (for inclusion on Line 20) or in EIA-608-B (for inclusion on Line 21) or in EIA-805 (for inclusion on Line 41) for YUV (525/60 systems) signals or in ETS 300924 for PAL, SECAM and YUV (625/50 systems) signals, or (c) for 480p progressive scan analog video signals, in, or adapted without material change from, EIAJ CPR1204-1 (defining the signal waveform carrying the CGMS-A) and IEC 61880 (defining the bit assignment for CGMS-A).
- 1.7 “Colorstripe” means the so-named copy control system as specified for NTSC analog video signals in the document entitled “Specification of the Macrovision Copy Protection Process for DVD Products, Revision 7.1.D1, September 30, 1999.”
- 1.8 “Commercially Adopted Access Control Method” means (a) a method of delivery of content that is an Authorized Secure Digital Output, (b) any other method of delivery of content by which content is rendered not viewable or accessible other than through a commercially adopted access control method (e.g., CPPM, CPRM, CSS, Digicypher, Harmony, DBS, or other digital access control technologies, digitally controlled analog scrambling systems, whether now or hereafter in commercial use) that a particular Participating Product is authorized to use, and (c) delivery of digital broadcast television content as Marked Content or Unscreened Content under U.S Code of Federal Regulations part 73.. Adopters are notified that this definition may be modified to comply with new government mandates that effectively establish certain other methods of content delivery as falling within this defined term.
- 1.9 “Computer Product” means a device that is designed for or permits the end user to install a wide variety of commercially available software applications thereon, including, but not limited to, personal computers, handheld “Personal Digital Assistants,” and the like and further includes a subsystem of such a device, such as a graphics card.
- 1.10 “Computer Monitor Output” means a connector for an analog or digital monitor typically found and associated with a Computer Product and which carries uncompressed analog and/or digital video signals. The term

expressly includes those outputs known as VGA, SVGA and XGA, DVI outputs of devices manufactured on or prior to December 31, 2005, unless otherwise notified by 4C, and various non-standardized digital monitor connections that were widely implemented as of May 1, 2002. The term expressly does not include such typical consumer electronics connectors as NTSC, PAL, SECAM, SCART, YPrPb, S-Video and Consumer RGB, whether or not such connectors are found on any Computer Product.

- 1.11 “CPRM Video Content” means audiovisual content that has been encrypted and recorded using CPRM as specified by the Specifications.
- 1.12 “Decrypted CPRM Video Content” means, with respect to a Participating Video Player, CPRM Video Content that has been decrypted by such player using CPRM but has not been passed to an output permitted by this Exhibit C-3a.
- 1.13 “EPN Encoded Content” means CPRM Video Content, or Decrypted CPRM Video Content, for which the associated EPN and DCI_CCI Verification Data fields are set as described in the Specifications to indicate that copy control restrictions are not asserted with respect to such content (“EPN” stands for “Encryption Plus Non-assertion”).
- 1.14 “Participating Product” means a hardware device or software application (or other software component) subject to a license from 4C that is a Compliant Product.
- 1.15 “Participating Video Player” means a Participating Product capable of playing back CPRM Protected Content.
- 1.16 “Participating Video Recorder” means a Participating Product capable of recording audiovisual content using CPRM.
- 1.17 “Transitory Image” means data that has been stored temporarily for the sole purpose of enabling a function not prohibited by this Exhibit B-3 but that (a) does not persist materially after such function has been performed and (b) is not stored in a way that permits copying or storing of such data for other purposes.
- 1.18 “Video Watermark” means the watermark technology that may in the future be designated by 4C for use with audiovisual work. . Currently, no such technology is designated by 4C.

2. REQUIREMENTS FOR THE MANUFACTURE OF RECORDABLE MEDIA

- 2.1 **Prerecorded Content.** CPRM shall be used to protect content only in accordance with the Specifications. It shall not be used to protect prerecorded content.
- 2.2 **Updating Media Key Blocks.** Adopters that manufacture Compliant Recordable Media shall limit the number of units of such media into which a given MKB is incorporated, as indicated in Section 2.2.1 below. 4C reserves the right to change the required frequency of updates and number of units of media into which an MKB may be incorporated as relevant changes in environmental conditions, including but not limited to security concerns, changes in manufacturing processes, or production volumes warrant.
 - 2.2.1 **Recordable DVD.** The number of units of DVD Compliant Recordable Media manufactured by an Adopter into which said Adopter incorporates a given MKB shall not exceed 1,000,000. If expiration occurs, Adopter will be notified by 4C. Beginning 3 months thereafter, no more than 1,000,000 pieces of such media may be manufactured using MKBs without the new expiration information.

3. REQUIREMENTS FOR PARTICIPATING VIDEO RECORDER

- 3.1 **Generally.** Participating Video Recorders shall not use CPRM to protect copies of content other than content received via a Commercially Adopted Access Control Method or content received via other than a Commercially Adopted Access Control Method with a CGMS-A setting of '10' ("copy one generation"), as set forth in more detail below.
- 3.2 **Protected Inputs.** With respect to the recording of content received via a Commercially Adopted Access Control Method, note that Participating Video Recorders follow the requirements of such method in determining copy permission, and in selecting the CGMS and APSTB field settings of any authorized copy made using CPRM.
- 3.3 **Unprotected Inputs.** This section is applicable to all Participating Video Recorders manufactured for sale in a jurisdiction in which CPRM has been submitted and approved as a secure recording method for making authorized copies of content distributed through a governmentally-authorized television broadcast system where such approval was based, in part, on CPRM Compliance Rule requirements that CGMS-A and AGCCCS be detected and responded to, whether such approval is accomplished through a government law or regulation or the equivalent. The following requirements shall be effective as to the recording of content received in analog form via other than a Commercially Adopted Access Control Method, where such content is directed for recording

using the same electronic circuitry and physical location as used by the CPRM recording function of the Participating Recording Device and where such Participating Video Recorder not operating as software on, or as an internal or peripheral component of, a Computer Product. Such a Participating Video Recorder shall examine the video portion of such content for Automatic Gain Control (AGCCCS) and CGMS-A (provided that they are applicable to the format in which such content is received), and respond if present, as described in the paragraphs below. This examination and response requirement shall be effective with respect to each affected Participating Video Recorder manufactured on or after January 15, 2005 for the examination of analog video content received in a format for which AGCCCS has been defined by Macrovision Corporation or CGMS-A has been standardized by a recognized standards-setting entity as of July 15, 2003. Subject to the preceding, with respect to the recording of content received via other than a Commercially Adopted Access Control Method, a Participating Video Recorder not operating as software on, or as an internal or peripheral component of, a Computer Product shall check the video portion of such content for Automatic Gain Control (AGCCCS) and CGMS-A (provided that they are applicable to the format in which such content is received), and respond if present, as follows:

- 3.3.1 Such recorder shall check the video portion of such content for AGCCCS, and if AGCCCS is detected the recorder shall not record the corresponding content;
- 3.3.2 If AGCCCS is not detected, then such recorder shall check the video portion of such content for CGMS-A, and if CGMS-A is present with a state that prohibits copying, the recorder shall not record the corresponding content;
- 3.3.3 If CGMS-A is present with a setting of '10' ("copy one generation"), the recorder may record the corresponding content only using CPRM, another Authorized Recording Method or a Bound Recording Method, with the CGMS field in the copy set to '01' ("no more copies") and the APSTB field in the copy set in accordance with the APS trigger bits provided that such bits are applicable to the format in which such content is received, and otherwise set to '00' ("No APS");
- 3.3.4 If CGMS-A is present with a state of '00' ("copy freely"), or if neither AGCCCS nor CGMS-A are detected, then no restrictions are hereby imposed on the recording of such content (aside from those imposed by Section 3.1 above).

- 3.3.5 This section does not impose restrictions regarding storage of content as a Transitory Image.
- 3.4 **Audio Watermark.** Adopter is notified that 4C is considering the adoption of a compliance rule or rules to regulate unprotected audio inputs to CPRM Licensed Video Recorders so that such inputs do not permit CPRM Video Recorders to become circumvention tools to evade CPRM Compliance Rules for the Recording of Audio Content. Such a compliance rule may require detection of audio-only content for the presence of the Audio Watermark or the use of an alternative means of ensuring that the CPRM Licensed Video Recorder does not permit recording of copy protected pure audio content.
- 3.5 **Video Watermark.** Adopter is notified that if a Video Watermark is designated, 4C anticipates specifying requirements that Participating Video Recorders detect and respond to such watermark with respect to the recording of video content received via other than a Commercially Adopted Access Control Method, in lieu of or in addition to the requirements of Section 3.3 above (the restrictions of Section 3.1 would also be modified accordingly).

4. REQUIREMENTS FOR PARTICIPATING VIDEO PLAYERS

- 4.1 **Permitted Outputs.** A Participating Video Player shall not pass Decrypted CPRM Video Content to any output except an Authorized Secure Digital Output, other digital audio output, Computer Monitor Output or analog output, as set forth in more detail below.

- 4.1.1 **Authorized Secure Digital Outputs.** A Participating Video Player may pass Decrypted CPRM Video Content to an Authorized Secure Digital Output, only in accordance with the following requirements:

4.1.1.1 **DTCP.** When passing Decrypted CPRM Video Content to an output protected by DTCP, a Participating Video Player shall (a) carry any DTCP System Renewability Messages delivered in association with such content (in a manner to be defined) to the DTCP Source Function, (b) set the APS field of the DTCP Descriptor in accordance with the APSTB field of the corresponding Real-time Data Information (RDI) pack, (c) set the EPN field of the DTCP Descriptor to 0 (EPN-asserted) if such content is EPN Encoded Content, or to 1 (EPN-unasserted) otherwise, and (d) set the following fields of the DTCP Descriptor to the indicated binary values:

DTCP_CCI	01	(No-more-copies),
Image_Constraint_Token	1	(not constrained).

Capitalized terms used in the foregoing but not otherwise defined in the Specifications or this Agreement shall have the meaning set forth in the DTCP Specification and DTCP Adopter Agreement.

4.1.1.2 **HDCP.** When passing Decrypted CPRM Video Content to an output protected by HDCP, a Participating Video Player shall (a) carry any HDCP System Renewability Message delivered in association with such content to the HDCP Source Function and (b) verify that the HDCP Source Function is engaged and able to deliver protected content, which means (i) HDCP encryption is operational on such output, (ii) processing of the valid received System Renewability Message associated with such content, if any, has occurred as defined in the HDCP Specification and (iii) there is no HDCP Display Device or Repeater on such output whose Key Selection Vector is in such System Renewability Message. Capitalized terms used in the foregoing but not otherwise defined in the Specifications or this Agreement shall have the meaning set forth in the HDCP Specification and HDCP License Agreement.

4.1.2 **Other Digital Audio Outputs.** A Participating Video Player may also pass the audio portion of Decrypted CPRM Video Content to a digital output other than an Authorized Secure Digital Output provided that such content is in compressed audio format (such as AC3) or in Linear PCM format in which the transmitted information is sampled at no more than 48 kHz and no more than 16 bits. Adopter is cautioned and notified that this requirement may be revised.

4.1.3 **Computer Monitor Outputs.** A Participating Video Player operating as software on, or as an internal or peripheral component of, a Computer Product may pass Decrypted CPRM Video Content to a Computer Monitor Output.

4.1.4 **Analog Video Outputs.** A Participating Video Player may pass the video portion of Decrypted CPRM Video Content to an analog video output, provided that for such content that is not EPN Encoded Content, it generates copy control signals according to the APSTB and CGMS fields of the corresponding Real-time Data Information (RDI) pack, using the following copy control systems:

4.1.4.1 For an NTSC analog output, however transmitted, Automatic Gain Control and Colorstripe according to the APSTB field, and CGMS-A according to the CGMS field;

4.1.4.2 For a PAL, SECAM or YUV analog output, Automatic Gain Control according to the APSTB field, and CGMS-A according to the CGMS field (note that “YUV as used herein means a component video output comprised of a luminance signal (Y) and two color difference signal (U and V) and specifically includes the following component video signals (Y,Pb,Pr), (Y,Cb,Cr), (Y, Db, Dr), and (Y, B-Y, R-Y));

4.1.4.3 For a 480p progressive scan analog output, Automatic Gain Control according to the APSTB field, and CGMS-A according to the CGMS field; and

4.1.4.4 For an SCART connector, Automatic Gain Control specifications for the PAL and SECAM signal carried by that connector, provided that the connector must be configured so that the component signal carried by the connector must always be accompanied by a composite signal and such composite signal must provide the only synchronization reference for the component signal.

4.1.4.5 Notwithstanding the foregoing, the requirements to comply with the CGMS-A specification set forth in this Section 4.1.4 shall not apply to a Participating Video Player operating as software on, or as an internal or peripheral component of, a Computer Product.

4.1.4.6 Adopter is notified that 4C may amend certain obligations set out in this Section 4.1.4, or specify alternative means to comply, if 4C finds that the required technologies are not available on reasonable and nondiscriminatory terms.

4.1.5 **Analog Audio Outputs.** A Participating Video Player may pass the audio portion of Decrypted CPRM Video Content to an analog audio output without restriction.

4.1.6 **High Definition Video Outputs.** Adopter understands that if, in the future, CPRM is licensed for protected recording of video content at high definition, further requirements on Participating Video Players may be specified in relation to high-definition output of such content.

4.2 **Permitted Copies, EPN Encoded Content.** A Participating Video Player shall not record Decrypted CPRM Video Content that is EPN Encoded Content in digital form except using a Bound Recording Method, or an Authorized Recording Method as set forth in more detail below. This section does not impose restrictions regarding analog recording of such content, or storage of content as a Transitory Image.

4.2.1 **Authorized Recording Methods.** A Participating Video Player may record Decrypted CPRM Video Content that is EPN Encoded Content using an Authorized Recording Method, only in accordance with the following requirements:

4.2.1.1 **CPRM.** When recording such content using CPRM, a Participating Video Player shall record the content as EPN Encoded Content.

4.2.1.2 **D-VHS.** When recording such content, a D-VHS recorder shall set the copy control information of such recording so as to prevent unauthorized redistribution.

4.3 **Permitted Copies, Non-EPN Encoded Content.** A Participating Video Player shall not record Decrypted CPRM Video Content that is not EPN Encoded Content in analog form if the associated APSTB field (as described in the Specifications) is asserted. A Participating Video Player shall not record such content in digital form. This section does not impose restrictions regarding storage of content as a Transitory Image.

4.4 **Video Watermark Non-Interference.** During the period commencing on the Effective Date of the Adopter Agreement to which these Compliance Rules are attached and ending on the date Licensor declares adoption of a Video Watermark, Adopter shall not (a) knowingly design or knowingly develop a CPRM Licensed Recorder or a component thereof for the

primary purpose of stripping, obscuring, or changing the value of Presently Known Watermark in audiovisual content received by Participating Products, or (b) knowingly promote, knowingly advertise or knowingly cooperate in the promotion or advertising of a Participating Video Player or a component thereof for the purpose of stripping, interfering or obscuring Presently Known Watermark in such audiovisual content. For purposes of this Section 4.4., a “Presently Known Watermark” shall mean each of the technologies submitted to, and accepted for consideration by, the DVD Copy Control Association, Inc. in November 2001 and the Audio Watermark, as defined in the [CPRM Compliance Rules for Recording and Playback of Audio Content]. This Section 4.4 shall not prohibit a Licensed Product or Licensed Component from incorporating legitimate features (e.g., zooming, scaling, cropping, picture-in-picture, compression, recompression, image overlays, overlap of windows in a graphical user interface, audio mixing and equalization, video mixing and keying, downsampling, upsampling, and line doubling, or conversion between widely-used formats for the transport, processing and display of audiovisual signals or data, such as between analog and digital formats and between PAL and NTSC or RGB and YUV formats, as well as other features as may be added to the foregoing list from time to time by Licensor by amendment to these Compliance Rules).

Exhibit C-3b

CPRM COMPLIANCE RULES FOR RECORDING AND PLAYBACK OF VIDEO CONTENT BY LIMITED RESOLUTION VIDEO RECORDERS

[ALTHOUGH THIS DOCUMENT IS FINAL AS OF MAY 30, 2003, LICENSOR HEREBY NOTIFIES, AND STRONGLY CAUTIONS ADOPTER, THAT THIS DOCUMENT WILL BE MODIFIED IN THE FUTURE TO HARMONIZE WITH CPRM COMPLIANCE RULES FOR RECORDING AND PLAYBACK OF VIDEO CONTENT IN EXHIBIT C-3 a.]

5. DEFINITIONS

Harmonization. Where a capitalized term is used but not otherwise defined in this Exhibit, the meaning ascribed thereto elsewhere in the Agreement or the Specifications shall apply.

- 5.1 “APS trigger bits” means the Analog Protection System bits as specified (a) for NTSC video signals, in IEC 61880 (for inclusion of such value on Line 20) or EIA-608-B (for inclusion of such value on Line 21) or (b) for YUV (525/60 systems) signals, in IEC 61880 (for inclusion of such value on Line 20) or EIA-608-B (for inclusion of such value on Line 21).
- 5.2 “Authorized Recording Method” means (a) CPRM, (b) D-VHS or (c) another type of digital recording method approved by 4C that is capable of securely recording Digital Video Content.
- 5.3 “Authorized Secure Digital Output” means (a) a Digital Transmission Content Protection (“DTCP”) protected output, (b) a High-Bandwidth Digital Content Protection (“HDCP”) protected output, or (c) another type of protected digital output approved by 4C that is capable of securely supporting transmissions of Digital Video Content.
- 5.4 “Automatic Gain Control (AGC)” means the so-named copy control system as specified (a) for NTSC, PAL, SECAM or YUV analog video signals, in the document entitled “Specification of the Macrovision Copy Protection Process for DVD Products, Revision 7.1.D1, September 30, 1999,” and (b) for a 480p progressive scan analog video signal, in the document entitled “Specification of the Macrovision AGC Copy Protection Waveforms for DVD Applications with 525p (480p) Progressive Scan Outputs, Revision 1.03 (December 22, 1999).”
- 5.5 “Bound Recording Method” means a method for recording content that effectively and uniquely associates such recording with a single Participating Video Player (using a cryptographic protocol or other effective means) so that such recording cannot be accessed in usable form by another product except where the content of such recording is passed to another product as permitted under this Exhibit C-3b.

- 5.6 “CGMS-A” means the Copy Generation Management System (Analog) as specified (a) for NTSC analog video signals, in IEC 61880 (for inclusion on Line 20) or in EIA-608-B (for inclusion on Line 21), (b) for PAL, SECAM or YUV analog video signals, in IEC 61880 (for inclusion on Line 20) or in EIA-608-B (for inclusion on Line 21) or in EIA-805 (for inclusion on Line 41) for YUV (525/60 systems) signals or in ETS 300924 for PAL, SECAM and YUV (625/50 systems) signals, or (c) for 480p progressive scan analog video signals, in, or adapted without material change from, EIAJ CPR1204-1 (defining the signal waveform carrying the CGMS-A) and IEC 61880 (defining the bit assignment for CGMS-A).
- 5.7 “Colorstripe” means the so-named copy control system as specified for NTSC analog video signals in the document entitled “Specification of the Macrovision Copy Protection Process for DVD Products, Revision 7.1.D1, September 30, 1999.”
- 5.8 “Commercially Adopted Access Control Method” means (a) a method of delivery of content that is an Authorized Secure Digital Output, or (b) any other method of delivery of content by which content is rendered not viewable or accessible other than through a commercially adopted access control method (e.g., CPPM, CPRM, CSS, Digicypher, Harmony, DBS, or other digital access control technologies, digitally controlled analog scrambling systems, whether now or hereafter in commercial use) that a particular Participating Product is authorized to use, and (c) delivery of digital broadcast television content as Marked Content or Unscreened Content under U.S Code of Federal Regulations part 73..
- 5.9 “Computer Product” means a device that is designed for or permits the end user to install a wide variety of commercially available software applications thereon, including, but not limited to, personal computers, handheld “Personal Digital Assistants,” and the like and further includes a subsystem of such a device, such as a graphics card.
- 5.10 “Computer Monitor Output” means a connector for an analog or digital monitor typically found and associated with a Computer Product and which carries uncompressed analog and/or digital video signals. The term expressly includes those outputs known as VGA, SVGA and XGA, DVI outputs of devices manufactured on or prior to December 31, 2005, unless otherwise notified by 4C, and various non-standardized digital monitor connections that were widely implemented as of May 1, 2002. The term expressly does not include such typical consumer electronics connectors as NTSC, PAL, SECAM, SCART, YPrPb, S-Video and Consumer RGB, whether or not such connectors are found on any Computer Product.
- 5.11 “CPRM Video Content” means audiovisual content that has been encrypted and recorded using CPRM as specified by the Specifications.

- 5.12 “Decrypted CPRM Video Content” means, with respect to a Participating Video Player, CPRM Video Content that has been decrypted by such player using CPRM but has not been passed to an output permitted by this Exhibit.
- 5.13 “EPN Encoded Content” means CPRM Video Content, or Decrypted CPRM Video Content, for which the associated EPN and DCI_CCI Verification Data fields are set as described in the Specifications to indicate that copy control restrictions are not asserted with respect to such content (“EPN” stands for “Encryption Plus Non-assertion”).
- 5.14 “Limited Resolution Video Player” means a Participating Product capable of playing back CPRM Protected Content at quality level of no more than QVGA and 1 Mbps (average bit rate, video object only, excluding audio and other objects).
- 5.15 “Limited Resolution Video Product” means either a “Limited Resolution Video Player” or a “Limited Resolution Video Recorder,” or both.
- 5.16 “Limited Resolution Video Recorder” means a Participating Product capable of recording Commercial Entertainment Content at quality level of no more than QVGA and 1 Mbps (average bit rate, video object only, excluding audio and other objects), and using CPRM
- 5.17 “Participating Product” means a hardware device or software application (or other software component) subject to a license from 4C that is a Compliant Product.
- 5.18 “Participating Video Player” means a Participating Product capable of playing back CPRM Protected Content.
- 5.19 “Participating Video Recorder” means a Participating Product capable of recording audiovisual content using CPRM.
- 5.20 “Transitory Image” means data that has been stored temporarily for the sole purpose of enabling a function not prohibited by this Exhibit but that (a) does not persist materially after such function has been performed and (b) is not stored in a way that permits copying or storing of such data for other purposes.
- 5.21 “Video Watermark” means a watermark expected to be designated later.

6. REQUIREMENTS FOR THE MANUFACTURE OF RECORDABLE MEDIA

- 6.1 **Prerecorded Content.** CPRM shall be used to protect content only in accordance with the Specifications. It shall not be used to protect

prerecorded content, except for such prerecorded content that is not for sale and is distributed only for purposes of demonstrating and promoting commercial systems utilizing Limited Resolution Video Products.

- 6.2 **Updating Media Key Blocks.** Adopters that manufacture Compliant Recordable Media shall limit the number of units of such media into which a given MKB is incorporated, as indicated in Section 2.2.1 below. 4C reserves the right to change the required frequency of updates and number of units of media into which an MKB may be incorporated as relevant changes in environmental conditions, including but not limited to security concerns, changes in manufacturing processes, or production volumes warrant.

- 6.2.1 **Recordable SD.** The number of units of SD Compliant Recordable Media manufactured by an Adopter into which said Adopter incorporates a given MKB shall not exceed 100,000. If expiration occurs, Adopter will be notified by 4C. Beginning 1 month thereafter, no more than 100,000 pieces of such media may be manufactured using MKBs without the new expiration information.

7. REQUIREMENTS FOR LIMITED RESOLUTION VIDEO RECORDERS

- 7.1 **Generally.** Limited Resolution Video Recorders shall not use CPRM to protect copies of content other than content received via a Commercially Adopted Access Control Method or content received via other than a Commercially Adopted Access Control Method with a CGMS-A setting of '10' ("copy one generation"), as set forth in more detail below.
- 7.2 **Protected Inputs.** With respect to the recording of content received via a Commercially Adopted Access Control Method, note that Limited Resolution Video Recorders follow the requirements of such method in determining copy permission, and in selecting the copy control information settings of any authorized copy made using CPRM.
- 7.3 **Unprotected Inputs.** This section is applicable to all Participating Video Recorders manufactured for sale in a jurisdiction in which CPRM has been submitted and approved as a secure recording method for making authorized copies of content distributed through a governmentally-authorized television broadcast system where such approval was based, in part, on CPRM Compliance Rule requirements that CGMS-A and AGCCCS be detected and responded to, whether such approval is accomplished through a government law or regulation or the equivalent. The following requirements shall be effective as to the recording of content received in analog form via other than a Commercially Adopted

Access Control Method, where such content is directed for recording using the same electronic circuitry and physical location as used by the CPRM recording function of the Participating Recording Device and where such Participating Video Recorder not operating as software on, or as an internal or peripheral component of, a Computer Product. Such a Participating Video Recorder shall examine the video portion of such content for Automatic Gain Control (AGCCCS) and CGMS-A (provided that they are applicable to the format in which such content is received), and respond if present, as described in the paragraphs below. This examination and response requirement shall be effective with respect to each affected Participating Video Recorder manufactured on or after January 15, 2005 for the examination of analog video content received in a format for which AGCCCS has been defined by Macrovision Corporation or CGMS-A has been standardized by a recognized standards-setting entity as of July 15, 2003. Subject to the preceding, with respect to the recording of content received via other than a Commercially Adopted Access Control Method, a Limited Resolution Video Recorder not operating as software on, or as an internal or peripheral component of, a Computer Product shall check the video portion of such content for Automatic Gain Control (AGC) and CGMS-A (provided that they are applicable to the format in which such content is received), and respond if present, as follows:

- 7.3.1 Such recorder shall check the video portion of such content for AGC, and if AGC is detected the recorder shall not record the corresponding content;
- 7.3.2 If AGC is not detected, then such recorder shall check the video portion of such content for CGMS-A, and if CGMS-A is present with a state that prohibits copying, the recorder shall not record the corresponding content;
- 7.3.3 If CGMS-A is present with a setting of '10' ("copy one generation"), the recorder may record the corresponding content only using CPRM, with the CGMS field in the copy set to '01' ("no more copies") and the APSTB field in the copy set in accordance with the APS trigger bits provided that such bits are applicable to the format in which such content is received, and otherwise set to '00' ("No APS");
- 7.3.4 If CGMS-A is present with a state of '00' ("copy freely"), or if neither AGC nor CGMS-A are detected, then no restrictions are hereby imposed on the recording of such content (aside from those imposed by Section 3.1 above).
- 7.3.5 This section does not impose restrictions regarding storage of content as a Transitory Image.

- 7.4 **Move.** Move is allowed in accordance with the technical specifications entitled “Content Protection for Recordable Media Specification SD Memory Card Book SD-Video Part.”
- 7.5 **Permitted Copies, EPN Encoded Content.** A Limited Resolution Video Recorder shall not record Decrypted CPRM Video Content that is EPN Encoded Content in digital form except using a Bound Recording Method, or an Authorized Recording Method as set forth in more detail below. This section does not impose restrictions regarding analog recording of such content, or storage of content as a Transitory Image.
- 7.5.1 **Authorized Recording Methods.** A Limited Resolution Video Recorder may record Decrypted CPRM Video Content that is EPN Encoded Content using an Authorized Recording Method, only in accordance with the following requirements:
- 3.5.1.1. **CPRM.** When recording such content using CPRM, a Limited Resolution Video Recorder shall record the content as EPN Encoded Content.
- 7.6 **Permitted Copies, Non-EPN Encoded Content.** A Participating Video Recorder shall not record Decrypted CPRM Video Content that is not EPN Encoded Content in analog form if CCI information in the associated APSTB field (as described in the Specifications) is encoded as No More Copies. A Limited Resolution Video Recorder shall not record such content in digital form. This section does not impose restrictions regarding storage of content as a Transitory Image.

8. REQUIREMENTS FOR LIMITED RESOLUTION VIDEO PLAYERS

- 8.1 **Permitted Outputs.** A Limited Resolution Video Player shall not pass Decrypted CPRM Video Content to any output except an Authorized Secure Digital Output, other digital audio output, Computer Monitor Output or analog output, as set forth in more detail below.
- 8.1.1 **Authorized Secure Digital Outputs.** A Limited Resolution Video Player may pass Decrypted CPRM Video Content to an Authorized Secure Digital Output, only in accordance with the following requirements:
- 4.1.1.1 **DTCP.** When passing Decrypted CPRM Video Content to an output protected by DTCP, a Limited Resolution Video Player shall (a) carry any DTCP System Renewability Messages delivered in association with such content (in a manner to be defined) to the DTCP Source Function, (b) set the APS field of the DTCP Descriptor in accordance with the APSTB field of the

corresponding Real-time Data Information (RDI) pack, (c) set the EPN field of the DTCP Descriptor to 0 (EPN-asserted) if such content is EPN Encoded Content, or to 1 (EPN-unasserted) otherwise, and (d) set the following fields of the DTCP Descriptor to the indicated binary values:

DTCP_CCI	01	(No-more-copies),
Image_Constraint_Token	1	(not constrained).

Capitalized terms used in the foregoing but not otherwise defined in the Specifications or this Agreement shall have the meaning set forth in the DTCP Specification and DTCP Adopter Agreement.

4.1.1.2 HDCP. When passing Decrypted CPRM Video Content to an output protected by HDCP, a Limited Resolution Video Player shall (a) carry any HDCP System Renewability Message delivered in association with such content to the HDCP Source Function and (b) verify that the HDCP Source Function is engaged and able to deliver protected content, which means (i) HDCP encryption is operational on such output, (ii) processing of the valid received System Renewability Message associated with such content, if any, has occurred as defined in the HDCP Specification and (iii) there is no HDCP Display Device or Repeater on such output whose Key Selection Vector is in such System Renewability Message. Capitalized terms used in the foregoing but not otherwise defined in the Specifications or this Agreement shall have the meaning set forth in the HDCP Specification and HDCP License Agreement.

8.1.2 Other Digital Audio Outputs. A Limited Resolution Video Player may also pass the audio portion of Decrypted CPRM Video Content to a digital output other than an Authorized Secure Digital Output provided that such content is in compressed audio format (such as AC3) or in Linear PCM format in which the transmitted information is sampled at no more than 48 kHz and no more than 16 bits. Adopter is cautioned and notified that this requirement may be revised.

8.1.3 Computer Monitor Outputs. A Limited Resolution Video Player operating as software on, or as an internal or peripheral component of, a Computer Product may pass Decrypted CPRM Video Content to a Computer Monitor Output.

8.1.4 Analog Video Outputs. A Limited Resolution Video Player may pass the video portion of Decrypted CPRM Video Content to an analog video output, provided that for such content that is not EPN Encoded Content, it generates copy control signals according to the APSTB and CGMS fields of the corresponding Real-time Data Information (RDI) pack, using the following copy control systems:

8.1.4.1 For an NTSC analog output, however transmitted, Automatic Gain Control and Colorstripe according to the APSTB field, and CGMS-A according to the CGMS field;

4.1.4.2 For a PAL, SECAM or YUV analog output, Automatic Gain Control according to the APSTB field, and CGMS-A according to the CGMS field (note that “YUV as used herein means a component video output comprised of a luminance signal (Y) and two color difference signal (U and V) and specifically includes the following component video signals (Y,Pb,Pr), (Y,Cb,Cr), (Y, Db, Dr), and (Y, B-Y, R-Y));

4.1.4.3 For a 480p progressive scan analog output, Automatic Gain Control according to the APSTB field, and CGMS-A according to the CGMS field; and

4.1.4.4 For an SCART connector, Automatic Gain Control specifications for the PAL and SECAM signal carried by that connector, provided that the connector must be configured so that the component signal carried by the connector must always be accompanied by a composite signal and such composite signal must provide the only synchronization reference for the component signal.

4.1.4.5 Notwithstanding the foregoing, the requirements to comply with the CGMS-A specification set forth in this Section 4.1.4 shall not apply to a Limited Resolution Video Player operating as software on, or as an internal or peripheral component of, a Computer Product.

4.1.4.6 Adopter understands that 4C may amend certain obligations set out in this Section 4.1.4, or specify alternative means to comply, if 4C finds that the required technologies are not available on reasonable and nondiscriminatory terms.

8.1.5 **Analog Audio Outputs.** A Limited Resolution Video Player may pass the audio portion of Decrypted CPRM Video Content to an analog audio output without restriction.

8.1.6 **High Definition Video Outputs.** Adopter understands that if, in the future, CPRM is licensed for protected recording of video content at high definition, further requirements on Limited Resolution Video Players may be specified in relation to high-definition output of such content.

8.2 **Move.** Move is allowed in accordance with the technical specifications entitled “Content Protection for Recordable Media Specification SD Memory Card Book SD-Video Part.”

- 8.3 **Video Watermark Non-Interference.** During the period commencing on the Effective Date of the Adopter Agreement to which these Compliance Rules are attached and ending (i) with respect to the Video Watermark, eighteen (18) months after the date Licensor declares the Video Watermark in accordance with Licensor's decision and (ii) with respect to all other Presently Known Watermark Technologies, on the date Licensor so declares the Video Watermark, Adopter shall not (a) knowingly design or knowingly develop a Limited Resolution Video Player or a component thereof for the primary purpose of stripping, interfering with or obscuring such Video Watermark or other Presently Known Watermark Technologies in audiovisual content played by such player, or (b) knowingly promote, knowingly advertise or knowingly cooperate in the promotion or advertising of a Limited Resolution Video Player or a component thereof for the purpose of stripping, interfering or obscuring such watermarks in such audiovisual content. For purposes of this Section 4.3, a "Presently Known Watermark Technology" shall mean each of the technologies submitted by VWM Companies and Toshiba Corporation to the DVD Copy Control Association, Inc. in November 2001 and the technology defined as ARIS/SOLANA-4C, as required by the SDMI Portable Device Specifications, Part 1, Version 1.0 (July 8, 1999). This Section 4.3 shall not prohibit a Licensed Product or Licensed Component from incorporating legitimate features (i.e., zooming, scaling, cropping, picture-in-picture, compression, recompression, image overlays, overlap of windows in a graphical user interface, audio mixing and equalization, video mixing and keying, downsampling, upsampling, and line doubling, or conversion between widely-used formats for the transport, processing and display of audiovisual signals or data, such as between analog and digital formats and between PAL and NTSC or RGB and YUV formats, as well as other features as may be added to the foregoing list from time to time by Licensor by amendment to these Compliance Rules).

Exhibit
C-4

ROBUSTNESS RULES

1. CONSTRUCTION

- 1.1 **Generally.** Participating Devices shall meet the Compliance Rules as shipped and be designed and manufactured so as to resist attempts to modify such products so as to defeat the functions of the Specification, as more specifically described below.
- 1.2 **Defeating Functions and Features.** Participating Devices shall not include switches, jumpers or traces that may be cut, or control functions means (such as end user remote control functions or keyboard, command or keystroke bypass), by which content protection technologies or other mandatory provisions of the Specification or Compliance Rules may be defeated or by which decrypted Protected Content other than uncompressed video may be exposed to unauthorized copying, usage or distribution.
- 1.3 **Keep Secrets.** Participating Devices shall be designed and manufactured such that they shall resist attempts to discover or reveal Device Keys, other Highly Confidential Information, or secret intermediate calculated cryptographic values used in the 4C Technology.
- 1.4 **Keep Confidential.** Participating Devices shall be designed and manufactured such that they shall resist attempts to discover Confidential Information such as the Secret Constant. Adopter's compliance with these Robustness Rules with regard to Confidential Information shall be fulfilled by compliance with this Section 1.4 and Sections 4.2, 4.3 and 5 of these Robustness Rules.

2. ACCESSIBILITY OF CONTENT. Decrypted content shall not be available on device outputs other than those specified in these compliance rules. Within Participating Devices, such Content shall not be present on any user accessible buses in useable form in such a manner that permits users to circumvent or defeat the Security Functions.

- 2.1 For these purposes, a "user accessible bus" shall mean a data bus which is designed for end user upgrades or access, such as PCMCIA, device bay, IEEE 1394, PCI buses (for compressed video content) or Cardbus, but not PCI buses (for content other than compressed video content), memory buses, CPU buses, and similar portions of a device's internal architecture.
- 2.2 "Security Functions" shall mean functions related to Authentication, encryption, decryption, watermark screening, watermark updating, and

storing/updating Copy Control Information as defined and required in the Specification, including the control functions or Usage Rules, to the extent such functions and rules are implemented in the foregoing.

3. METHODS OF MAKING FUNCTIONS ROBUST

Participating Devices shall use at least the following techniques to be designed to effectively frustrate efforts to circumvent or defeat the functions and protections specified in this Agreement:

3.1 Robustness Requirements Applicable to Software Implementations.

Any portion of a Participating Device that implements one or more of the Security Functions in software that could allow compromise of CPPM or CPRM shall include all of the characteristics set forth in Sections 1 and 2 of these Robustness Rules. In addition, such implementations shall:

3.1.1 Comply with Section 1.3 of these Robustness Rules by reasonable methods, which may include, but shall not be limited to: encryption, execution of a portion of the implementation in ring zero or supervisor mode, and/or embodiment in a secure physical implementation; and in every case of implementation of software, using techniques of obfuscation to disguise and hamper attempts to discover the approaches used.

3.1.2 Be designed so as to perform self-checking of the integrity of its component parts and be designed to result in a failure of the implementation to provide the authorized authentication, encryption, and/or decryption functions in the event of unauthorized modification. For these purposes, a "modification" includes any change in, or disturbance or invasion of features or characteristics, or interruption of processing, relevant to Sections 1 and/or 2 of this Exhibit C. This provision requires at a minimum the use of "signed code" or other means of tagging or operating throughout the code which are equivalent or more robust.

3.2 Robustness Requirements Applicable to Hardware Implementations.

Any portion of the Participating Device that implements a part of the Specification in hardware shall include all of the characteristics set forth in Sections 1 and 2 of these Robustness Rules. The fact that a software implementation operates on a hardware computing platform shall not, in and of itself, cause such hardware computer platform to be subject to the requirements set forth in Sections 3.2 and 3.3. If, however, the software implementation relies on hardware or any hardware component to satisfy these Robustness Rules, then such hardware or hardware component shall be governed by the robustness rules set forth herein for hardware implementations. In addition, such Implementation shall:

- 3.2.1 Comply with Section 1.3 of these Robustness Rules by reasonable means including, but not limited to: embedding Device Keys and other Highly Confidential information in silicon circuitry or firmware which cannot reasonably be read, or the techniques described above for software.
- 3.2.2 Be designed such that attempts to remove or replace hardware elements in a way that would compromise the content protection features of the 4C technology would pose a serious risk of damaging the Participating Device so that it would no longer be able to receive, playback, or record CPPM or CPRM Data. By way of example, a component which is soldered rather than socketed may be appropriate for these means.
- 3.2.3 Be designed such that the failure of a Security Function would cause the product to no longer be able to receive, playback, or record CPPM or CPRM Data.

- 3.3 **Robustness Requirements Applicable to Hybrid Implementations.**
The interfaces between hardware and software portions of a Participating Device shall be designed so that the hardware portions comply with the level of protection that would be provided by a pure hardware implementation, and the software portions comply with the level of protection which would be provided by a pure software implementation.

4. REQUIRED LEVELS OF ROBUSTNESS

- 4.1 The Security Functions and the characteristics set forth in Section 1.3 shall be implemented so that it is reasonably certain that they:
 - 4.1.1 Cannot be defeated or circumvented using Widely Available Tools (Section 4.3) or Specialized Tools (Section 4.4) and
 - 4.1.2 Can only with difficulty be defeated or circumvented using Professional Tools (Section 4.5).
- 4.2 The characteristics set forth in Section 1.4 shall be implemented so that it is reasonably certain that they:
 - 4.2.1 Can only with difficulty be defeated or circumvented using Widely Available Tools (Section 4.3).
- 4.3 “Widely Available Tools” shall mean general-purpose tools or equipment that are widely available at a reasonable price, such as screwdrivers, jumpers, clips, file editors, and soldering irons.

- 4.4 “Specialized Tools” shall mean specialized electronic tools that are widely available at a reasonable price, such as memory readers and writers, debuggers, decompilers, or similar software development products other than devices or technologies that are designed and made available for the specific purpose of bypassing or circumventing the protection technologies that are required by the Specification, i.e., "Circumvention Devices".
- 4.5 “Professional Tools” shall mean professional tools or equipment, such as logic analyzers, chip disassembly systems, or in circuit emulators, but not including either professional tools or equipment that are made available on the basis of a non-disclosure agreement or Circumvention Devices.

5. NEW CIRCUMSTANCES

If an Implementation when designed and shipped complies with the requirements set forth above, but at any time thereafter circumstances arise which — had they been existing at the time of design — would have caused such implementation to fail to comply with the specification ("New Circumstances"), then upon having reasonable notice of such New Circumstances, the developer of such implementation shall promptly redesign affected product(s) or make available upgrades to its affected product(s), and, as soon as reasonably practicable, consistent with ordinary product cycles and taking into account the level of threat to content under the New Circumstances, shall incorporate such redesign or replacement into its affected product(s), cease manufacturing such affected product(s) and cease selling such affected product(s).

6. EXAMINATION/INSPECTION

Adopter agrees that, under reasonable terms and upon notice given by any Eligible Content Participant that such Eligible Content Participant reasonably and in good faith believes that a particular model or version of a Licensed Product designed or manufactured by Adopter does not comply with these Robustness Rules, such Eligible Content Participant may designate an independent expert acceptable to Adopter (which acceptance shall not be unreasonably withheld) to inspect the details necessary and sufficient to determine whether Adopter's Product is in compliance with these Robustness Rules. Such inspection shall be at the Eligible Content Participant's expense and shall be conducted at mutually convenient times. By way of example, "details necessary and sufficient" (as used in the sentence above) include the executable object code, functional design diagrams, examples of the product, or block diagrams but shall not include the source code, the Verilog Hardware Description Language ("VHDL") or similar highly confidential information. Beyond providing access to the aforementioned details, Adopter's active participation in such inspection shall be voluntary. Adopter shall not be precluded or estopped from challenging the opinion of such expert in any forum. Nothing in this paragraph shall limit the role or testimony of such expert, if any, in a judicial proceeding under such protective orders as a court may impose. This

provision may not be invoked more than once per implementation, model or version, except to the extent that one or more Eligible Content Participants are re-inspecting such implementation, model, or version that has been revised in an effort to cure any alleged failure of compliance. For purposes of this Section 6, “reasonable terms” shall include, at a minimum, execution of non-disclosure agreements that (x) are applicable to Eligible Content Participant and any independent expert retained by Eligible Content Participant pursuant to this Section, (y) are acceptable to Adopter and Eligible Content Participant, and (z) provide protections for Confidential and Highly Confidential Information relating to the 4C Technology that are no less stringent than those provided for in this Agreement. Further, for purposes of this Section an “Eligible Content Participant” shall be a Content Participant that (1) distributes its Commercial Entertainment Content in commercial quantities in a form protected by CPPM; (2) is in compliance with all of the terms and conditions of its Content Participant Agreement; and (3) is a member of the Recording Industry Association of America (“RIAA”).

EXHIBIT “D”

CONFIDENTIALITY AGREEMENT ACKNOWLEDGMENT BY AUTHORIZED EMPLOYEES

I, _____, a full-time or part-time employee of _____, a _____ (“Adopter”), acknowledge that I have been designated by Adopter as an “Authorized Employee” to receive on behalf of Adopter access to Highly Confidential Information of 4C Entity, LLC (the “Company”), the Founders of the Company, or another Adopter, which Authorized Employee is obligated to maintain strictly confidential under the terms of the CPRM/CPPM License Agreement (the “Agreement”) between the Company and the Adopter. With respect to Highly Confidential Information, I acknowledge that the Agreement entered into between the Company and the Adopter requires Adopter to employ procedures for safeguarding Highly Confidential Information which procedures include, at a minimum: (i) Adopter shall employ procedures for safeguarding Highly Confidential Information at least as rigorous as Adopter would employ for its own most highly confidential information, such procedures to include, at a minimum: (1) maintaining on Adopter’s premises a secure location in which any and all Highly Confidential Information shall be stored, where such a location may include electronic storage that is at least as secure with respect to the Highly Confidential Information as the 4C Technology is with respect to the protection of digital content; (2) that any Highly Confidential Information stored in such a location shall be accessible only by Authorized Employees; (3) that (x) where Highly Confidential Information is stored in a location that is physically secure, Authorized Employees visiting such location shall sign in and out each time that they visit such location; and (y) where Highly Confidential Information is stored securely in an electronic form, Authorized Employees having access to such Highly Confidential Information shall sign in and out each time that they have such access; and (4) when Highly Confidential Information is not in use, such information shall be stored in a locked safe at such secure location or shall be stored electronically in a form that is at least as secure with respect to the Highly Confidential Information as the 4C Technology is with respect to protection of digital content. I further acknowledge that the Confidentiality Agreement defines Highly Confidential Information to include Device Keys (capitalized terms used herein as defined in the CPRM/CPPM License Agreement).

I further acknowledge that I have signed a prior written agreement with Adopter pursuant to which I have agreed to maintain the confidentiality of third party confidential information received by Adopter. I acknowledge that I am bound by such

agreement or by Adopter's policies and practices to maintain the confidentiality of Highly Confidential Information during my employment and after my employment with Adopter.

By signing below, I attest that I have read and understood this acknowledgment.

Signed: _____

Name: _____

Date: _____

cc: 4C Entity, LLC

EXHIBIT E

4C Advisory Board Request for Amendment

The signatory/signatories below, each members of the 4C Advisory Board, hereby request that the following amendment(s) be made to the

- ☐ Content Participant Agreement
- ☐ Adopter Agreement
- ☐ Specification
- ☐ Other (specify) _____:

Description of Action:

(List section(s) to be amended and provide text of amendments. Attach an explanation of the benefits)

The signatory/signatories certify that they have consulted with the following industry group representatives and have obtained consent for the change requested. (consent is not required, but will aid Founders' consideration):

- ☐ Consumer Electronics members of the CPIG
- ☐ Information Technology members of the CPIG
- ☐ Content Participants who are members of the CPUG

The following industry groups oppose the change requested:

- ☐ Consumer Electronics members of the CPIG
- ☐ Information Technology members of the CPIG
- ☐ Eligible Content Participants who are members of the CPUG.

(Please Specify reasons for opposition)

- ☐ The change requested does not have a material adverse effect on content protection provided by the 4C Technology.
- ☐ The change requested does not impose additional substantial burdens on Adopters or on the operation of licensed products.

For Eligible Content Participant Members of the CPUG

By: _____
Name: _____
Title: _____
Date: _____

For Eligible Consumer Electronics Industry Members of the CPIG

By: _____
Name: _____
Title: _____
Date: _____

For Eligible Information Technology Industry Members of the CPIG

By: _____
Name: _____
Title: _____
Date: _____